The Economic Development of Japan

The Path Traveled by Japan as a Developing Country

Kenichi Ohno

GRIPS Development Forum
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I would like to thank my students at GRIPS for giving me the opportunity to write this book, and Ms. Azko Hayashida for compiling the English edition.
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Preface to the English Edition

Materials contained in this book were initially made available on the English-language website for a Master’s program at the National Graduate Institute for Policy Studies (GRIPS) in Tokyo. They were then translated into Japanese and published in book form for the benefit of Japanese readers in early 2005. However, it soon became clear that the book was very much wanted by non-Japanese readers as well. I was approached by foreign students in Japan and publishers abroad for permission to translate it into other languages including Arabic, Chinese, and Vietnamese. While the Japanese edition can serve as the original, it would be much easier to secure good and fast translation if the book were also available in English. Furthermore, the readership would expand greatly with the publication of an English edition. That is why the book was translated back into English.

This book offers an analytical tour of Japan’s socio-economic changes. It is neither a monotonous chronology nor a collection of unrelated academic papers. Instead, it introduces the readers to the most advanced—and sometimes controversial—studies on the modern history of Japan. Internal capability generated by frequent interactions between domestic and external forces is the connecting thread throughout this volume. While the writing style may seem simple and without too much theorization, ideas presented here are the ones that have emerged from long and serious investigation by many researchers. I believe that this is the first book of this kind ever to have been published either in English or in Japanese. Please enjoy.

Tokyo, February 2006
Kenichi Ohno
Foreword to the Japanese Edition

This book contains lectures on the Economic Development of Japan which was delivered in English by the author at the National Graduate Institute for Policy Studies (GRIPS) in Tokyo from 1998 to 2004. The majority of my students were young government officials from developing and transition countries who would return to their duties after the study at GRIPS. Japan is a unique country which rose from a backward agricultural economy in the Far East to the forefront of industrial technology. Although I am not an economic historian, I agreed to teach this course because I was attracted by the intellectual challenge of re-telling the remarkable story of Japan’s development not as a past tale reminisced about by the Japanese themselves but as a contemporary message to foreign elites who are struggling to develop their motherlands at this very moment.

I am a practitioner of economic development. I stay in a latecomer country (Vietnam, to be more precise), advise its government on economic policy making, train young people who can replace me in the future, and offer academic inputs to the Japanese government and other donors of that country. The topic of this book, the history of Japan after its global re-integration in the mid-19th century, may seem a little worn-out to Japanese scholars who have already spilled a huge amount of ink on the subject. But I still take it up, in the hope that we might see the road traveled by past Japan in a new light as shed by the standards and common sense of today’s developing countries. I wrote this book in Japanese to share my excitement with the Japanese readers.

We recognize ourselves by the existence of others. International comparison is absolutely necessary to understand the characteristics of any society. My lectures were meant to be a mirror in which foreign students discovered their own countries. At the same time, I believe that they can also serve as a mirror for Japanese people to re-discover themselves. I myself encountered numerous surprises as I prepared and delivered these lectures. Domestic research closed to the rest of the world cannot uncover Japan’s position in the world history.
In preparing the website and lecture notes which I used to compile this book, I tried to gather information broadly. While the core materials came from the existing academic literature on Japanese economic history, I also added discourses on politics, culture and ideas in order to make the lectures intellectually stimulating to my target audience. Since my time and knowledge were limited, discussions in this book might at times be less precise than experts would allow. Concise description of issues that have been hotly debated by scholars runs the risk of oversimplification. If there are any errors in factual statements, I will be more than happy to correct them. However, it should also be stressed that the purpose of this book is to describe a broad stream of history with the help of a particular vision rather than to scrutinize historical facts in detail. The presentation of a historical vision is a task that can be done relatively independently from the clarification of minor details.

When I visited libraries and second-hand bookstores in the Kanda District of Tokyo for writing this book, I was often disappointed. In my opinion, there have been too many studies on Japanese history that were influenced by the Marxian ideology. Another group of studies endlessly pursue mini discoveries and minor re-interpretations without placing them in a proper historical context. Still others list numerous facts chronologically without structure, making them quite boring to the readers. While I respect their effort in search of truth, it is evident that competition among alternative historical visions, which can help us to select and evaluate various facts, is lacking. Social phenomena must be understood organically and comprehensively, but this does not mean that the rigid Marxian interpretation should be the only guide.

In a modest way, this book attempts to offer one possible vision to review and project economic development. This vision, presented more fully in Chapter 1, states that the dynamism of Japanese society was the result of cumulative interaction between domestic and foreign systems in which internal institutional evolution and responses to foreign elements were repeated throughout history. This progress pattern, which was unique to Japan (and Western Europe), strengthened the capabilities of both private enterprises and government officials, transformed social structure gradually but irreversibly, and prepared the
conditions for rapid industrialization in the Meiji period and beyond. However, this fortunate pattern does not exist in today’s developing countries. For this reason, they cannot copy Japan’s development path to grow and industrialize. I leave the validity of this vision to the assessment of the reader.

In producing this book, Japanese studies were first summarized and translated into English, then translated back into Japanese. In the process, some historical terms have been replaced by more general language. Some explanations which are totally unnecessary to Japanese readers have nonetheless been partly retained, to convey the atmosphere of the lectures delivered to foreign students. Additional data and photos used in classroom handouts and the lecture website had to be mostly omitted from this edition due to the limitation of space. Quotations in archaic Japanese have been rephrased in contemporary Japanese. At the end of this book, final exam questions I gave to my students and classroom exchanges are attached for the interested readers.

In planning and producing this book, I was deeply indebted to Ms. Yuko Fujita of Yuhikaku Publishing Co., Ltd. Mr. Susumu Ito of Yuhikaku was also instrumental in this publication. My sincere thanks go again to both, who previously helped me to publish another book. The rest of my gratitude is properly directed to my students who attended the Economic Development of Japan over the past six years. The official count of students who sat the final exam was 172, but if the dropouts are included, over 200 students listened to my lectures. I hope that they will remember the path traveled by a developing country called Japan—with its brilliant successes and dismal failures—when they formulate policies back in their own countries.

December 2004
The Author
Chapter 1

Modernization for Latecomers

The World Bank today, Washington, DC, USA

Newspaper illustration of the Black Ships of Commodore Perry, circa 1853.
1. Domestic society and external forces

In any country, history proceeds as an interaction between domestic and foreign forces. In the discussion of Japanese development which follows, this aspect of systemic interaction will be highlighted. Japan’s modernization began with its encounter with the powerful West in the 19th century. The path of Japanese industrialization thereafter can be interpreted as the process of various domestic actors, including the government, businesses, communities and individuals, responding to shocks and influences coming from abroad. This perspective is very useful even today, since developing countries are now required to develop under the strong presence of globalizing pressure. The development process of such countries can also be understood as two systems, local and foreign, in dynamic interaction. Today, new ideas and systems often come with the names such as the market mechanism, democracy, conditionality, international best practice, PRSP, MDGs, and so on.

A domestic society is the base into which new foreign systems are introduced. Each society has unique characteristics reflecting its ecology and history. Existing institutions in that society are mutually dependent and form a coherent whole (this is called “institutional complementarity”). Domestic societies have their own logic and mechanisms of internal evolution and, for certain periods, can evolve mainly through internal forces. This evolution is usually slow and continuous. But when exposed to strong foreign impacts, social equilibrium is suddenly disturbed and the country is dislodged from its previous course. If the domestic response to foreign forces is resilient and appropriate, the society will begin a new dynamic evolution. But if the response is weak or inconsistent, the society may be destabilized or even destroyed under foreign dominance.

In the 20th century, isolation and self-sufficiency were pursued under socialist planning, but the effort failed miserably to produce economic dynamism. Since the disappearance of the Soviet Union, refusal to integrate into the world has been totally discredited as a national economic strategy. While the policies of the WTO, IMF, and World Bank contain many shortcomings, latecomer countries have no option but to join these international organizations. Now the question is not whether to integrate but how to integrate. Inter-
national integration is the necessary condition for development, but it is not sufficient (UNCTAD, 2004).

The term *development* does not necessarily imply the existence of external influence. Theoretically, development can be internally driven or externally motivated. In our age, however, it has become almost impossible to achieve sound and sustainable development without effectively coping with and integrating into the global system. Development now carries almost the same meaning as “catching up with industrial countries” or “modernization through trade, FDI, and industrialization.” From a long historical viewpoint, this is a very special type of development. But we can hardly think of any other way. Whether desirable or not, this is the reality we face today.1

Throughout its history, Japan also experienced periods of relatively tranquil internal evolution and periods of dynamic change under strong external influences. These periods alternated to create Japanese society in a multi-layered fashion (Figure 1-1). Major external impacts on Japan included the following:

- *Rice cultivation*—introduced from the Eurasian Continent around the third century BC (recent evidence shows that rice cultivation may have been brought to Japan earlier).
- *Buddhism*—brought from China via Korea in the sixth century AD.
- *Chinese culture and political system*—imported vigorously from the seventh to the early tenth century AD.
- *First direct contact with Europeans*—guns and Christianity arrived in the 16th century AD.
- *Modernization*—the second contact with the industrialized West in the 19th century.

The Mongolians also tried to invade Japan twice in the 13th century, but their military attempts failed. It is said that, on each occasion, a huge storm destroyed their fleet off the coast of Kyushu Island. If the Mongolian invasion

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1 Among development strategies, the promoters of *endogenous development* argue for restricting external integration and letting local systems within each society become the growth engine. This includes, for example, agricultural production for local consumption rather than commercial sales, and communal development based on traditional religion, value and customs. This approach may activate communities and provide a risk sharing mechanism in a certain stage of development. But its validity as a long-term universal development strategy is not confirmed.
had been successful, Japan would have received another big foreign impact.

Compared with the history of other countries in the non-Western world, it can be said that Japan absorbed successive external shocks rather well, and used them positively for change and new growth. Japan also retained its national identity throughout this process, although Japan today and Japan in the past are entirely different in their appearance. Japanese society exhibits a multi-layered, onion-like structure, where old and new elements coexist flexibly and different characteristics can surface depending on the circumstance (Figure 1-1). Meanwhile, one Chinese social scientist has remarked that China is like a hard stone ball which cannot change unless it is exploded and replaced by another hard ball (called “revolution”), maybe of a different color.

The Japanese people happily absorb a large number of potentially conflicting elements and use them interchangeably as occasions require. This is a unique feature of the Japanese people not often seen in other societies. To put it positively, the Japanese are flexible, generous and pragmatic. But to put it critically, they are without principle, fidelity or devotion. In his famous book on Japanese philosophy, Masao Maruyama (1961) lamented that the Japanese had
no tradition of thinking logically and consistently though they were full of feelings and experiences. This criticism may be legitimate from the viewpoint of Western rationalism. But from another aspect, the seemingly principle-less way of the Japanese may have some value if we are to co-exist peacefully among different ethnicities, religions and ideologies in an integrated world. At any rate, the point we want to make here is that Japanese thinking is quite different from Western thinking, without asserting which is superior.

This book focuses on Japan’s latest great transformation driven by an external shock, namely the process of Westernization and industrialization under the strong pressure of the West during the 19th and 20th centuries.

2. Translative adaptation

The idea of translative adaptation is proposed by Keiji Maegawa, an economic anthropologist at Tsukuba University.

When a country in the periphery joins the world system, it may look as if the country (say, Kazakhstan) is being absorbed in the dominant international order (say, the global market system). It looks as if the country is forced to abandon its traditional culture, systems, social structure and so on, which are considered “backward,” in order to embrace the “international best practice.” Viewed from inside the country in the process of “being absorbed,” however, the situation is not always passive. In a proper integration process, Maegawa says that the country should take initiative in deciding the terms of integration,

![Figure 1-2 Integration Viewed from Outside](image-url)
making sure that it can retain *ownership* (national autonomy), social continuity and national identity. The country changes, but the change is managed by its government and people and not by foreign firms or organizations. Foreign ideas and systems are introduced not in the original form but with modifications to fit local needs. If this is achieved, the transformed country is not really so weak or passive. It is taking advantage of external stimuli to change and grow. This is called “translative adaptation.” Maegawa says that Japan since the Meiji period did just that.

When a non-Western society encounters a powerful representative of Western civilization, it is hardly possible to escape from its influences. Some ethnic groups have been eradicated in short periods after contact with the West. At the same time, many nations and societies have adopted Western institutions and objects from without in order to survive (or by their own choice). However, it is important to recognize that they did not accept Western inventions in their original forms. Any item in one culture will change its meaning when transplanted to another culture, as seen widely in ethnography around the world. Not only cosmology, religious doctrine, rituals, but also the family system, the institution of exchange, and even socio-economic organizations
like the firm exhibit the property of adapting to external institutions and principles with the existing cultural system maintaining its *form* of structure. The essence of what has been called “modernization” is the adaptive acceptance of Western civilization under the persistent form of the existing culture. That is, actors in the existing system have adapted to the new system by reinterpreting each element of Western culture (i.e. “civilization”) in their own value structure, modifying yet maintaining the existing institutions. I shall call this “translative adaptation.” (Maegawa, 1998, pp.174-175)

However, international integration is a risky process and not all countries can perform translative adaptation. A developing country exposed to strong external pressure faces a great challenge. This is a critical moment in the history of that country. Compared with the more predictable days of internal evolution, the fate of the society and its people now depends critically on how they react to this challenge. Domestic capability is still weak, while the demands of globalization are high. Suddenly, the country is required to make a great leap forward or fall into an abyss. It is as if an average student is told by his teacher to participate in an international math competition. With enormous effort, he may improve his skill and win. But it is more likely that he will fail miserably. The problem is that the challenge is too big for his current ability. If the goal is unreachable, the effort is not fruitful.

While the effort of domestic businesses and communities is important, the most crucial response to globalization must come from the policies of the central government. If the government loses control of the integration process, dire consequences may occur, such as macroeconomic instability, social disintegration, political crises, ethnic conflict, foreign dominance, and so on.

When caught in a dilemma between weak capability and the great challenges of globalization, some governments refuse to deal with the external world and revert to isolation, economic control and the rejection of Western ideas. Other governments rush to embrace the imported principles of free trade and Western democracy uncritically, without considering the effects it brings to the domestic society. Both reaction patterns are shallow, extreme and unadvisable. Translative adaptation requires much deeper thinking by the top policy makers. It is indeed a very difficult task.

Japan faced great challenges when it opened up to the Western world
in the middle of the 19th century. It also experienced similar hardship after the war defeat of 1945. In both cases, Japan eventually emerged as a brilliantly successful latecomer, at least economically.

3. Why Japan could succeed

Traditionally, we consider Japan in the 19th century as a weak, agricultural, backward country with low technology suddenly exposed to influences from the powerful West. Japan struggled to industrialize and somehow succeeded. But why did only Japan succeed so early, among all non-Western countries? This is the biggest question for whoever studies Japan’s modern history. However, Dr. Tadao Umesao, a distinguished scholar in comparative civilization, says that there is no mystery here. According to him, Japan emerged as a non-Western industrial country very naturally.

Until 1993, Dr. Umesao was the director general of the National Museum of Ethnology in Osaka, which he founded in 1974. In his earlier days, he traveled extensively in Mongolia, Afghanistan, Southeast Asia, Africa and Europe undertaking anthropological fieldwork. In 1957, he proposed a new theory on Japanese history and national identity.

Dr. Umesao says that the traditional view of Japan as a backward country is wrong. He argues that Japan and Western Europe are two very unique societies in the world. Both are located on the periphery of the huge Eurasian Continent. Both enjoy a temperate climate. More importantly, they are relatively insulated from violent invasions by nomadic peoples residing in the central dry areas of the Eurasian Continent. He argues that these geographic and climatic advantages are crucial for the spontaneous and continuous development of society. Japan and the United Kingdom are particularly similar in that they are island nations just off the continent.

Japan and Western Europe were an appropriate distance (not too far, not too close) from the great civilizations of Eurasia—namely, China, India, and the Middle East (Islam). They could absorb the cultural achievements of
these civilizations while being invaded and destroyed much less often than societies located in the middle of the continent. This permitted both societies to evolve cumulatively and organically. They mixed domestic culture and foreign impact properly, without being wiped out and having to start over again from scratch. Under these similar historical conditions, Japan and Western Europe developed independently and in parallel—from centralized imperialism to power decentralization, establishing feudalism, then absolutism, and finally capitalism. It is no accident that the Industrial Revolution originated in the United Kingdom, and that the only non-Western country to industrialize as thoroughly as the West was Japan. In no other areas did history evolve so sequentially. According to Umesao, Japan got behind the United Kingdom because it adopted the bizarre policy of external isolation from 1639 to 1854 (chapter 2). Without this deviation, Umesao asserts, the two nations would have achieved the Industrial Revolution at about the same time².

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² In the historical discourse of Dr. Umesao, the most shocking passage to the author was his view on Japan’s invasion of other East Asian countries from the late 19th century to 1945. He argues that, without the strange isolationism, Japan would have reached the Southeast Asia much sooner and fought the British and French forces there. In his words, “Japan’s role in international power politics was similar to that of Britain, France and the Netherlands. Japan’s later behavior as a regional power was not solely the result of a surge of militarism after the Meiji Restoration (1868). It grew from the gap between Japan and Southeast Asia in terms of their situation in the history of civilization, and from the similarity of circumstances between Japan and Western Europe” (Umesao, 2003, p.110).
Chinese, Indian and Islamic civilizations produced great cultural achievements, but their social structures were static; only empire and dictatorship (and later, colonialism) ruled. From one dynasty to another, there was no clear progress from the viewpoint of social and political evolution. For thousands of years, emperors and kings were basically the same. According to Umesao, only Western Europe and Japan satisfy the historical conditions necessary to industrialize. Japan did not imitate the West; the two areas developed spontaneously and independently (North America can be regarded as part of Western Europe). He is very pessimistic about the possibility of industrialization in the rest of the world, including all the developing countries today.

This chapter has introduced Dr. Umesao’s view not because the author agrees with him completely, but because it is interesting and stimulating. His interpretation of Japanese history is unique and in the minority. In fact, his view is not very well known even among Japanese. Personally, I think the idea that industrialization will take place only under certain rigid historical conditions and nowhere else is too simplistic and deterministic. If the path to industrialization cannot be built but only inherited, ODA, FDI, development economics, World Bank and UNDP policies, and all courses in our campus (including this lecture) are all in vain. Can we really say that China will never become an industrialized country? Does Africa have no hope?

The present author believes that industrialization is more dynamic and transferable today. Dr. Umesao’s explanation may be valid up to the recent past. However, we are now living in the age of internet, air travel and global exchange of information. Physical distance from the center country should no longer matter very much. Even though history is ingrained deeply in the characteristics of each people, ethnic traits are also dynamic and changeable. With great leadership and ideas, a new way of development suitable for each country should be found. Moreover, there should be more than one path to development in response to different initial conditions and shifting historical circumstances. Additionally, Dr. Umesao does not discuss the role of technology, capital and investment very much. As a specialist in comparative civilization, he emphasizes the evolution of social structure rather than the physical aspects of industrialization. But the latter are also crucial in determining the success or failure of development.
Having said this, however, Dr. Umesao may be quite right in certain areas. In particular, his theory can explain why Japan had a unique social structure suitable for industrialization, which is not observable in other countries, even before its encounter with the West. This was the result of the uninterrupted organic evolution of the Japanese society over the two millennia. It permitted Japan to absorb new foreign influences flexibly in a multi-layered fashion and succeed in the translative adaptation of Western thought and technology. This, at least partly, should be an answer to the question of why Japan was able to achieve success so early.

The next chapter will present the concrete conditions prevailing in Japan during the Edo period which enabled it to achieve a rapid catching up in the late 19th and 20th centuries.

4. A brief history of Japan

While this book focuses on modern Japan, it is useful to take a brief look at the entire Japanese history at the outset. The summary given below is not meant to be an academically respectable discourse but a very rough sketch for those who know little about Japanese history. For beginners, Japanese history can be divided into four major periods: (1) the period in which emperors held real power, (2) the period of samurai governments, (3) the period of modernization and military invasion, and (4) the period of post WW2 growth.

<Period 1: —The rise and fall of the emperor>

In the pre-historic period, the Japanese people (whose origin is still debated) were hunter-gatherers with limited agricultural activity. They lived separately in small villages but were connected by long-distance maritime trade. They lived relatively peacefully.

When rice cultivation was introduced from the continent (third century BC or before), life changed significantly. Rice cultivation required collective effort beyond family units under effective leadership. Village size grew and social order was established. Religious and military leaders began to form mini states. Wars between mini states became common, and after a few centuries of
fighting (details of which is not known due to the shortage of evidence), Japan was politically unified for the first time.

After a few more centuries, the imperial family took real power and subordinated other influential clans (Reform of Taika, 645AD). Under a strong emperor, a centralized government with Chinese-style bureaucracy and tax system was created. Many capital cities were built and abandoned one after another (consider how much resource was wasted in doing this!), but finally in 794 the nation’s capital was settled permanently in Kyoto\(^3\). Military conquest of minority peoples was conducted. Buddhism was used for the political purpose of demonstrating the emperor's power and ruling the country. This is the only period in Japanese history in which the emperor had real political power.

<Period 2: — The age of the samurai>

But power concentration did not last very long. Soon, local landlords and temples became more independent from the central government and stopped paying taxes or obeying official orders. They established *shoen* (manors) and employed people to cultivate it. To protect their land, the warrior class (*samurai*) emerged. For samurais, land was the most precious asset to be defended with their lives. Meanwhile, the political power of the noble class gradually declined. They composed poems, conducted ceremonies, and played *kemari* (garden football) in Kyoto.

From the end of the 12th century onward, samurai leaders formed the government\(^4\). The first samurai government was established in Kamakura, 350 km east of Kyoto, in 1192 (Kyoto was still the capital—where the emperor resided—but real power rested with samurais in Kamakura). The top samurai was called *shogun*. The Kamakura government guaranteed samurais’ right to

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3 *Kyoto* literally means capital city. If the capital is defined to be the location of the emperor’s official residence, Kyoto remained the capital of Japan until 1868.

4 Even after the emperor lost real power, samurai leaders still sought an imperial approval to set up a new government and legitimize their power. All subsequent governments (even today) have used the symbolic authority of the emperor instead of terminating the imperial family and themselves establishing a new kingdom or dynasty. The benefit of receiving an imperial sanction to rule must have been greater than the cost of keeping the emperor who rarely intervened in politics. Once this practice was established, deviation from it became politically too costly as it would surely invite a severe accusation of demeaning the divine family.
own land and also distributed new land to those with distinguished service in war. However, Japan was greatly shaken by two invasion attempts by the Mongolians in 1274 and 1281. Each time, the great Mongolian fleet attacked the coast of Kyushu but was repelled by a combination of Japanese resistance and a huge storm. While unsuccessful, the Mongolian attacks led to the eventual collapse of the Kamakura government. It ran out of land to distribute to samurais who bravely fought Mongolians.

After this, long internal fights among *daimyo* (samurai leaders) ensued. Finally, Ieyasu Tokugawa, one of the daimyos, reunified Japan and established the Edo government in 1603 (in what is now called Tokyo). The *Sengoku Jidai* (Warring Age) came to an end and Japan finally began to enjoy internal stability.

The Edo government was politically conservative and highly bureaucratic. It imposed rigid social order and banned foreign contact and trade (with a few exceptions). Peace was restored under a strict bureaucratic rule. However, in recent historical research, the Edo period is viewed as a dynamically evolving period rather than a stagnant dark age. Under international isolation which lasted more than two centuries (1639-1854), agricultural productivity gradually rose, and commercial crops, trade, finance and industry grew. Japan’s unique culture developed. Conditions for industrialization were ripe.

*<Period 3: — Meiji modernization, industrialization and wars>*

Several Western powers wanted to open up Japan from its self-imposed isolation. First, the Russians came. Then other Europeans arrived. But the Edo government refused to deal with them. Finally, in 1853, the American troops led by Commodore Perry came with four “black ships” loaded with powerful guns to force Japan into concession. The Edo government—and the entire nation—was thrown into confusion. A strong anti-foreigner movement emerged all over Japan. In the following year, the government yielded to the American pressure and signed the Japan-US Friendship Treaty. Other Western powers followed the American move. The Americans further demanded a full commercial treaty with Japan. In 1858, in the midst of a heated national debate, the government suppressed the opposition and concluded commercial treaties with the
West which later turned out to be defective (chapter 3). Criticism against the government rose sharply and internal political fights ensued, finally toppling the Edo government in 1867.

The new Meiji government restored the emperor (who for a long time had no real power) as a supreme ruler and adopted a policy of rapid Westernization, modernization and militarization. In the political area, the first national constitution was promulgated in 1889 and parliamentary politics was established. In the economic area, the absorption of Western technology and the creation of modern industries were the primary national goals. The textile industry gradually emerged as an internationally competitive industry. In the military area, Japan won a war against China (Qing Dynasty) in 1894-95 and began to invade Korea (it was later colonized in 1910). Japan also fought a victorious war with the Russian Empire in 1904-05.

The Japanese economy experienced an enormous export-led boom during WW1. During the 1920s, industrialization continued despite frequent recessions, the Great Kanto Earthquake, and banking crises. The party cabinet system and the diplomacy based on international cooperation (especially with the US) were implemented during most of the 1920s. But in the 1930s Japan turned decisively to militarism. In the 1931 Manchurian Incident, Northeast China was occupied. A full-scale war with China was initiated in 1937 and the Pacific War began in 1941. Wartime economic planning was adopted.

<Period 4: — Postwar growth>

Japan was defeated in 1945 and the country’s economic base was destroyed. Under the US occupation, a recovery strategy under material planning was successfully conducted in 1947-48 and postwar inflation was terminated in 1949. From the mid 1950s through the early 1970s, Japan enjoyed very rapid growth and industrialization. The manufacturing sector expanded strongly and Japan became the second largest economy in the world (after the US) by the end of the 1960s. National security under the US military umbrella, global trade expansion, and a stable exchange rate contributed to the miracle growth.

As the Japanese economy matured, growth slowed down. In the 1970s, oil shocks and floating exchange rates reduced Japan’s growth to about
4 percent. An asset bubble in land and stocks occurred in the late 1980s which burst in 1990-91. Since the early 1990s and even to this day, the Japanese economy has virtually stopped growing.
# Chapter 1

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<td>Sengoku (-1603)</td>
<td>Internal wars among daimyo (samurai warlords)</td>
<td>←First contact with Europeans</td>
</tr>
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<td></td>
<td>→Unification by Ieyasu Tokugawa</td>
<td>Guns &amp; Christianity introduced</td>
</tr>
<tr>
<td>Edo (1603-1867) Cap: Edo (Tokyo)</td>
<td>Tokugawa Shogun Government (samurai rule, agricultural tax, class system)</td>
<td>×Closed door policy—No diplomacy &amp; trade allowed (except China, Holland, Korea, Ryukyu); Christianity banned</td>
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<tr>
<td></td>
<td>Stability under strong government</td>
<td></td>
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<tr>
<td></td>
<td>Han’s promotion of local industries</td>
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<tr>
<td></td>
<td>Agriculture &amp; handicraft develop</td>
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<tr>
<td></td>
<td>Transportation, finance, commerce, education upgraded, unified national market</td>
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<tr>
<td></td>
<td>Merchants’ economic power increases</td>
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<td></td>
<td>Unique popular culture develops</td>
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<td>Debate over “open door policy” vs. “anti-foreigner military campaign”</td>
<td>←America opens Japan by military threat (1853-54)</td>
</tr>
<tr>
<td></td>
<td>Han samurais topple Shogun Government</td>
<td>Danger of colonization by West</td>
</tr>
</tbody>
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Table 1-1 Outline of Japanese History
# Modernization for Latecomers

## Modernization

<table>
<thead>
<tr>
<th>Period</th>
<th>Domestic Events</th>
<th>External Events</th>
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</thead>
</table>
| Meiji (1868-1912) (Capital: Tokyo to present) | **Strong government under emperor** adopts open door policy and rapid Westernization  
**Fukoku kyohei** (strong economy & army)  
**Industrialization** (strong private sector supported by government)  
Democracy movement (short-lived)  
Recessions & economic crises (1920s-30s)  
**Military takes over government**  
Mobilization of people & resources for war | Need to catch up with West  
→ War with China (Qing Dynasty, 1894)  
→ War with Russia (1904)  
→ Annexation of Korea (1910)  
→ Pursuit of Chinese interest  
→ Invasion of Manchuria (NE China, 1931)  
→ Full-scale war with China (1937)  
→ Pacific War (1941)  
Invasion of SEA  
War defeat (1945)  
← U.S. occupation (1945-51)  
Multilateral open door policy  
Joints IMF, World Bank, OECD  
Becomes No.2 economy (around 1970)  
Becomes top ODA donor (1990-99) |
| Taisho (1912-26) |                                                                                 |                                                     |
| Early Showa (1926-45) |                                                                                |                                                     |
| Late Showa (1945-88) | **Democratization & demilitarization**  
Economic recovery from postwar crisis  
Priority production system  
**Rapid industrialization** (1950s-60s)  
Strong private initiative  
MITI’s industrial policy  
Economic slowdown (1970s-) |                                                     |
| Heisei (1988-) | **Bubble burst, economic stagnation** (1990s-) |                                                     |
The gap between economic and social achievements

In the book entitled Japan’s Modernization and Social Change, sociologist Kenichi Tominaga proposes a general framework to understand the various aspects of Japan’s modernization and industrialization. Traditionally, there have been two opposing interpretations of Japan’s modern history. The first view positively considers Japan’s economic performance, especially its brilliant success as a latecomer. The second view castigates past Japan as the oppressor of its own people and a military invader of the neighboring countries. Is Japan a model for all developing countries, or a negative case to be avoided at all cost? Tominaga cautions that a debate over such a simplistic dualism yields little result. According to him, modernization is a complex phenomenon that must be analyzed with scientific concepts and models.

Tominaga first emphasizes that the modernization process of a non-Western country does not trace the same path as it does in the West.

To be successful, the modernization of a non-Western country must be a creative process in which a comparison between indigenous and foreign cultures is made, the superior aspects of the latter are selectively introduced, the imported and indigenous elements are combined to breed something new, and conflict between the two is mitigated. Japan’s modernization was precisely such a process. Modernization currently proceeding in the societies of the Asian NIEs also conforms to this description. (Tominaga, 1990, pp.38-39)

This idea is essentially the same as Maegawa’s translative adaptation discussed in the main text. From this realization, Tominaga’s method proposes to divide society into the following four subsystems and describe the evolution of each in detail.

- Economic modernization (economic growth through industrialization)
- Political modernization (democratization)
- Social modernization in the narrow sense (transition from gemeinschaft [land- and lineage-based groups] to gesellschaft [functional groups] as well as a shift from closed rural communities to open urban communities)
- Cultural modernization in the narrow sense (transition from superstition and irrational customs to scientific and rational thinking)

Tominaga’s main argument can be summarized as follows. The modernization of Europe started with the internal development of political and social subsystems fol-
owed by the Industrial Revolution. But latecomer countries cannot follow this sequence. For them, economic modernization is “easier” than political modernization. Social and cultural modernization is even harder. This is because much more time and energy are required to transform a structure which dominates and permeates every detail of people’s life than to copy new technology and industries. This naturally leads to a gap between fast economic growth and slow progress in all other aspects. However, since the economic subsystem and the non-economic subsystems are interdependent, this gap generates tension and conflict which distorts the modernization process of that country. Prewar Japan, which boasted high technology and modern industries on one hand and imposed the concept of the holy nation derived from ancient emperor worship and the feudal family system on the other, is a typical example.

While expressed sociologically, Tominaga’s assertion in fact belongs to one of the very popular views on the merits and demerits of Japan’s modernization process.

Tominaga also argues thus:

- Before the Edo period, Japan did not generate any ideas or systems that could support modernization. For this reason, modernization beginning from the subsequent Meiji period called for a total negation of traditional systems and a switch to foreign systems.
- Modernization cannot succeed in a society where *gemeinschaft*, closed rural communities and irrational thinking remain. If modernization is pursued in the presence of these elements, dilemma and friction become inevitable.
- The serious modernization gap in the prewar Japan was largely removed as a result of bold postwar reforms, but some traditional elements still remain even today. Japan’s modernization will not be complete unless these remaining elements are finally eliminated.

It is clear that Tominaga views Japan’s indigenous elements very negatively. He regards them as nothing but obstacles to modernization rather than a basis on which imported elements are to be grafted. This is in sharp contrast to Umesao’s high evaluation of the continuity of Japanese history which prompts him to say that Japan, as Britain, evolved naturally and autonomously as a modern nation. It is also at odds with Maegawa’s *translative adaptation* and his assertion that Japan successfully mixed domestic systems with foreign ones with the former serving as the more fundamental base. Which interpretation is more reasonable? I leave it to the reader to decide.