

THE REFORM OF THE LAND TAX AND THE GOVERNMENT PROGRAMME FOR THE ENCOURAGEMENT OF INDUSTRY

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I. THE STAGES OF THE MEIJI RESTORATION

When we consider the Meiji Restoration as the political change which created the basic conditions for the development of capitalism in Japan we may divide the total process of the Restoration into a number of stages, each possessing its own characteristics.

Below we divide the total process of the Restoration into four periods, the indices of which are the main turning-points in the political process.

- I. 1858-1867. From the conclusion of treaties of commerce with the advanced countries of Europe and America up to the overthrow of the Tokugawa Shogunate (the coup d'état for the Restoration of the rule of the Emperor).
- II. 1868-June, 1871. From the coup d'état for the Restoration of the rule of the Emperor up to the abolition of the fiefs and their replacement by Prefectures (*Haihan Chiken* 廢藩置縣) (nation-wide control in the hands of the Restoration Government).
- III. July, 1871-1881. From the coup d'état for the abolition of the fiefs of the feudal lords up to the virtual completion of the work of reforming the Land Tax.
- IV. 1882-1891. From what is considered by the generality to be the change in government economic policy beginning with the currency reform carried out by Finance Minister Matsukata Masayoshi 松方正義, up to 1891, by which time its effects had more or less revealed themselves. In this year, 1891, domestic production of cotton yarn exceeded imports for the first time, and in the following year Japan began exporting cotton yarn to countries overseas. These indices show that the cotton-spinning industry had been firmly established in Japan as a factory-system industry. Again, in the sphere of the political order, too, this year saw the first opening of the Imperial

Diet after the proclamation of the Meiji Constitution (*Dai Nihon Teikoku Kempō* 大日本帝國憲法) in the previous year, and in the sphere of local government, too, the administrative institutions of the Urban Areas (*Fu* 府) and Prefectures (*Ken* 縣) and those for Counties (*Gun* 郡) were promulgated, following the promulgation of the administrative institutions for Cities (*Shi* 市) and for Townships and Villages (*Chō-Son* 町村) of 1888. Therefore the year 1891 coincides with the point in time at which the mechanism of rule of the Japanese Emperor-State, which was to persist up to the end of the Second World War, was more or less established.

In the present short article we shall give brief characterizations of each of the stages from I to IV.

Period I: 1858-1867

The Tokugawa Shogunate was obliged to conclude, under unequal conditions, treaties of commerce with the countries of Europe and America, and from 1858 onward Japan came into full-fronted contact with the capitalist countries of Europe and America. As one of the results of this the Shogunate's powers of control over the feudal lords declined and its control over the national commodity circulation network was weakened. The rapid expansion of Japanese sericulture, silk-reeling, and tea production caused by the great foreign demand for raw silk and tea and the large imports from overseas of cheap, good-quality cotton, and woollen textiles—these disrupted the traditional national commodity circulation network which the Shogunate had hitherto controlled. Again, the treaties of commerce of 1858 gave to foreigners opportunities for very profitable currency transactions, and a sudden efflux of specie (gold) was caused. This made the disruption of the national commodity circulation network all the more difficult to retrieve. In Japan of these days the peasant economy possessed the ability to expand commercial production immediately, for example, in response to the appearance of a sudden large demand for raw silk and tea. The regions in which the peasant economy possessing this ability was most developed belonged, in the majority of cases, to the areas directly under the control of the Shogunate, the so-called *Tenryō* 天領. However, the Shogunate was unable to maintain its control over such developments in the peasant economy and changes in the commodity circulation network. The Shogunate's efforts in the interests of control always ended in failure because of resistance from the part of the peasants and protests by foreign countries on the basis of the commercial treaties.

In contrast to this, in a number of great clans in southwestern Japan the clans themselves, carrying out control of the peasants within the fief by means of fief monopolies and other measures, and, on this basis, carrying on trade with foreign countries in a positive manner, come to espouse the intention of encompassing the control of the national commodity circulation network in place of the Shogunate. They increased their military power by imports from abroad, chiefly of weapons and warships, and with their help they went on to break away from the rule of the Shogunate and to strengthen the clan's capacity to stand alone and its resistance to the Shogunate. For these trends to become clear in the clans of southwestern Japan it was necessary for changes in leaders, effected by fierce political struggles, to occur in each of the clans.

A number of students of the subject have already drawn attention to the peculiarities of the "Shogunate-han system" (*Bakuhān Taisei* 幕藩體制) of the Tokugawa period in comparison with European feudalism. In Japan the clans did not possess complete independence, and the feudal lords' (*daimyō* 大名) rights over their lands were markedly circumscribed by the Shogunate. The Shogunate had powers which enabled it, on occasion, to reduce the area of their lands, or to transfer a lord from one region to another. If we ignore the form of rule of the peasantry exercised by the feudal lords and merely direct our attention to the parts of the Shogunate-han system, it will be the resemblance to European feudal absolutism which will be more apparent to us. However, at this period this resemblance is on the contrary lessening, and the independence of the rights of the individual feudal lord becomes clear. In particular we can say this of the great clans in the southwestern region. On the other hand, as the Shogunate's control over the clans of the feudal lords weakened, the bankruptcy of the clan system stood revealed, particularly in the medium- and small-sized clans in the central part of the Main Island. For them the Shogunate was something which strengthened and supported them from the rear, rather than something which controlled and circumscribed their powers.

Period II: 1868-June, 1871

The "Court Government," which had beaten the armies of the Shogunate in the engagements at Toba 鳥羽 and Fushimi 伏見 thanks to the military power of the great clans of the southwest (Satsuma 薩摩 and Chōshū 長州), brought under its own rule the lands formerly under the direct control of the Shogunate. This rule, however, extended to only about 30% of the total area of Japan, and the government's control

did not extend to the fiefs of the feudal lords. Therefore it was not a unitary government possessing the reality of centralized power. Its military forces, too, were no more than the military forces of certain clans—those of Satsuma and Chōshū forming the nucleus—brought under indirect command, and the military forces under the direct command of the government were practically non-existent. It was such a “government” as this which took control of the national commodity circulation network and the open ports, and became the sole sovereign body representing Japan in foreign relations. This contradictory character of the “government” at this period revealed itself in the policies which the government put into effect. Policy in the fields in which the government was in contact with the advanced countries abroad as the sovereign power in Japan—in diplomacy, foreign trade, currency, and commerce—was based on the intention of making Japan into a modern state while standing up squarely to the advanced countries. However, the government’s internal administration of the lands directly under its control was entirely that of a feudal lord. Rather than being a continuation of the policies for the control of the peasantry followed by the Tokugawa Shogunate the internal policies of the government were in the nature of a Restoration of the policies followed by the Shogunate at the time of its inception in the 17th century, and they constituted a negation of the peasant commodity economy which had developed in the final period of the rule of the house of Tokugawa. At this time, however, it was inevitable that realization of the modernization policies which they sought to promote should always be obstructed by the independent existence of the fiefs of the feudal lords outside of the sphere ruled by the government and by the feudal measures employed in the areas ruled by the government which we have described above. However, it is also true that by separating themselves from the rule of the Shogunate and standing alone, the clans, with a very small number of exceptions such as Satsuma, came on the contrary to show signs of breaking up. In a number of clans there appeared moves to sell portions of the feudal lord’s rights of landownership to peasants or merchants, or for the feudal lord and his retainers to attempt to confiscate part of the land held—in fact, owned—by peasants and merchants. Therefore there was a change in the direction of individual ownership of land. (From the first, under the Japanese system of feudal tenure the lords and their retainers had no estates under their own management, and the retainers lived in the lord’s castle-town (*Jōkamachi* 城下町) and received from year to year stipends (*karoku* 家祿) payable in rice.) Again,

in the areas directly under the control of the government the government's reactionary policies caused continual outbreaks of large-scale peasants revolts, and a decline appeared in the revenue from taxes paid by the peasants. It was now clear that the continuance of this was impossible.

Period III: July 1871-1881

The event which put a period to this state of affairs was the coup d'état for the abolition of the fiefs and their replacement by Prefectures carried out by the powerful elements in the government (the holders of actual power in the Finance Ministry, Army Ministry, Foreign Ministry, and other departments of the government) who were determined to put modern institutions of government into force. In February, 1871, a force of 10,000 men, drawn from the three great clans of the southwest—Satsuma, Chōshū, and Tosa (土佐)—was brought into the capital (Tokyo) and placed under the direct command of the government. Next, with this military force in the background, the fiefs were abolished in July and the rights of the individual feudal lords entirely taken over by the central government, which thus obtained possession of the reality of a centralized government in the domestic sphere also. This concentration of the rights of the feudal lords in the hands of the government put a stop to the forces which were eliminating the rights of the feudal lords in each of the clans in a variety of forms, and was a preliminary measure for their elimination in a nationally uniform manner. This was the first necessity if steps were to be taken to effect the rapid modernization of the economy thereafter. Immediately after the success of the abolition of the fiefs and their replacement by Prefectures the government at once began to put into effect a series of reforms aiming at the annulment of the rights of the feudal lords which it had gathered into its own hands. These were the beginning of the reform of the Land Tax in July, 1872 (the beginning of the work of issuing Land Certificates (*Chiken* 地券) to the peasants in recognition of their rights of private ownership of the land hitherto held by them), the promulgation of the system of compulsory education in August, and the coming into force of the Conscription Ordinance in November, etc.

Among these the reform of the Land Tax was of the greatest importance, since it negated the ownership of land by feudal lords, the basis of the former feudal system. Again, the Conscription Ordinance, which required as a duty of the whole nation the profession of arms which had hitherto been regarded as belonging only to the warrior class (*bushi*

武士), was a measure which deprived the body of feudal retainers of their *raison d'être*. In this way the government aspired to create a modern army on the Prussian model, but in order to make this possible it was necessary for each man to possess the ability to use modern weapons and perform disciplined mass movements, etc. The coming into force of the system of compulsory education had the significance of giving to the members of the nation such basic abilities. Further, along with the progress of those various reforms, on one hand a direct blow to the feudal lords and their retainers—the commutation of their feudal stipends—was put into effect in the face of their resistance. Thus it came about that in 1876 a measure was adopted which put an end to the class of feudal lords, the commutation of feudal stipends by the payment of a sum in government bonds equivalent to the income from these stipends over several years.

With the outbreak of a rebellion by the retainers of the Satsuma clan [the “Saigō Rebellion” (*Seinan Sensō* 西南戦争)] in the following year, 1877, in protest against this measure, and the suppression of this rebellion, and with the virtual completion of the reform of the Land Tax in 1880, the system of tenure by feudal lords was finally dissolved.

Period IV: 1882–1891

Even in the previous period the government had indeed begun its efforts to foster modern industry. As we have noted above, however, up to 1880 the main efforts of the government were directed to the uniform dissolution of the system of tenure by feudal lords over the whole country, that is, to the creation of the basic conditions which would make possible the rapid development of capitalism. Consequently, we may say that it is from this time on that the government embarked on its positive programme for the encouragement of industry (*Shokusan Kōgyō* 殖産興業). Further, the actual content of the government's programme for the encouragement of industry exhibits a change, a change marked by the laying down of the Outline Regulations for the Selling-off of the Government-operated Factories of 1880. We have placed the end of this period of the policy for the encouragement of industry at about 1890. Though we shall discuss the matter in more detail later, it was at this time that the failure of this policy, and, notwithstanding this failure, the development of factory-system industry in the non-government sector of the economy, particularly the cotton industry, became apparent. But in Japan's case there were severe shortages of capital and labour throughout the process of the rapid growth of modern industry,

and right up to a much later date the government, for its part, was not neglectful in giving consideration to this point. In this sense the government's policies for the encouragement of industry were continued into the future, changing their form in response to the needs of the times.

The Meiji Restoration was brought to a conclusion after passing through the four stages which we have seen above,¹ but we may say that it was during the third and fourth stages that the basis for the development of Japanese capitalism was created. It is of course true that although they were not unrelated to the political struggles which preceded them the political changes of 1871 and thereafter had been the chief centre of interest in studies of the Restoration hitherto, and consequently under the present conditions, in which the greater part of the work done in the past is biased towards this period, it may not be fruitless to draw attention to this point.

The reform of the Land Tax was the important reform which constituted the centre of this third period, and the encouragement of industry was the most characteristic policy in the fourth period.

II. THE REFORM OF THE LAND TAX

The appellation "*Chiso Kaisei*" 地租改正 (reform of the Land Tax) was a name bestowed by the government of the day, but it was not a mere reform of the laws relating to taxation. If it were desired to lay down a modern system of taxation it would first be necessary to abolish the traditional feudal forms of taxation which differed from place to place among the clans and the lands directly administered by the Shogunate, and then to abolish the tenure of land by the feudal lords and give recognition to free economic activity by the peasants and the people at large, even if only in form. The fact that the government of the day simply called this reform a 'reform of the Land Tax' shows that it was not fully aware of the important significance attaching to it which we have set out above. However, the vision of the reform of the Land Tax first revealed by the Finance Ministry, the promoters of the reform, immediately after the success of the abolition of the fiefs and their replacement by Prefectures in July, 1871, was something like the following. Judging by the concreteness of this vision it is natural for us to

¹ A more detailed examination of the stages of the Meiji Restoration here summarized is made in Niwa Kunio 丹羽邦男, *Meiji Ishin no Tochi Henkaku* 明治維新の土地變革 (The Change in Land Tenure at the Meiji Restoration), Tokyo, Ochanomizu-shobō, 1962. In this book, however, the fourth period is not dealt with.

suppose that it had been prepared in the Finance Ministry previously to the abolition of the fiefs and their replacement by Prefectures on the basis of the Ministry's knowledge and experience of internal administration, as well as its knowledge of the taxation laws of the advanced countries, etc. Even if the officials of the Finance Ministry did not have the dissolution of the system of tenure of land by the feudal lords clearly and precisely in mind, their knowledge and experience to date would naturally have led to concrete measures for the dissolution of the system of tenure of land by the feudal lords.

To summarize the Ministry's vision of the reform of the Land Tax:

- (1) Feudal lords' regulation of the crops to be grown on agricultural land was to be abolished.
- (2) Free sale and purchase of land was to be recognized in law.
- (3) The export and import of agricultural produce to places overseas by the people was to be made free.
- (4) Land areas throughout the country were to be surveyed and confirmed.
- (5) Land Certificates were to be issued in respect to all land throughout the country, and were to serve as evidence of the landowners' private ownership.
- (6) The Land Tax was to be levied at a fixed rate in accordance with the market value of land.
- (7) In regard to the land values which would be the basis for deciding the sums to be paid as Land Tax, the investigation of all land would be carried out by the government.

The above measures were put into operation immediately after the abolition of the fiefs and their replacement by Prefectures. Thus the various items in the Ministry's vision were brought to realization one after other, beginning with item (3) in August, 1871, and followed by item (1) in September, item (2) in February, 1872, item (5) in July, and finally item (4), (6) and (7) in the law for the reform of the Land Tax promulgated in July, 1873. It was nevertheless true, as we show below, that the initial vision was brought to realization distorted in a number of aspects.

However, this vision of Land Tax reform in fact formed part of a bigger vision of taxation reform thought of by the officials of the Finance Ministry of this time.

They drew up their plans with the ultimate aim of building a modern fiscal system. These were revealed at about the same time as the above-mentioned vision of Land Tax reform. To summarize:

(1) Tax law reform was to be divided into a reform of domestic taxation and a reform of customs, and the two were to be in a relation of mutual co-determinacy, like the two wheels of a cart.

(2) In domestic taxation, the heavy taxes which in the past had been levied from the peasantry alone were to be lightened, and commerce and industry were to be made equally subject to taxation. That is to say, new taxes—commodity taxes, stamp duties, monopoly permit taxes, etc.—were to be brought in. Since it would have been difficult at that time, when commerce and industry had not yet arisen, to reduce the taxation levied on agricultural land, the vision of Land Tax reform described above would be put into operation, but for the meantime the new sums to be paid as Land Tax would be fixed so that there would be no decline in revenue below the level of the former feudal taxes, and later commodity taxes, stamp duties, etc., would be instituted and as the income from these increased the Land Tax would be reduced.

(3) In regard to customs a “protectionist tariff” would be set up under which light dues would be levied on exports and heavy dues on imports, so that exports would always be several times as much as imports and Japan would get a big profit from foreign trade.

The above vision of tax reform was a direct concrete realization of the intentions of the officials of the Finance Ministry of this time who were seeking to break through the extremity caused by the efflux of specie, the import surplus, and in particular the destruction of Japanese industries by large inflows of cotton and woollen goods, etc., and to cause Japan to grow into a rich state standing alongside the advanced countries. In their consciousness the obtaining of specie by export surpluses and the enriching of the state by this means were considered the ultimate objectives, and the development of agriculture and the promotion of industry were thought of as being instruments for this purpose. On the basis of this kind of consciousness the later policies for the encouragement of industry, too, were first put into effect in the places which were most directly concerned with the expansion of export and the obtaining of specie in the sphere of foreign trade.

However that may be, this vision of tax reform was not brought to realization according to plan, as the vision of Land Tax reform had been. The first start on bringing it to realization was the dispatch to Europe and America in October, 1871, of a government mission ranging over practically all the leaders of the new government, including the *Dajōdaijin* 太政大臣, Iwakura Tomomi 岩倉具視. It was through this mission that the negotiations for the revision of the commercial treaties were

opened. These commercial treaties, which had been concluded with the advanced countries by the Shogunate and taken over by the government, were treaties unequal in content which did not recognize the customs autonomy of the Japanese government. Consequently, the realization of the above-mentioned vision of tax reform was impossible without the revision of these treaties. We may say that the government's vision of tax reform was baulked in the first steps towards its realization. This had the effect of distorting the character of the vision of Land Tax reform which was in process of being brought to realization according to plan. This was because the responsible government authorities, while envisaging the laying down of a modern fiscal system, were obliged to lay the whole burden of the expenses involved in the modernization of the state on the Land Tax because the expectation of increases in revenue from customs had been withdrawn, and for this reason they were obliged to sacrifice modernity in the Land Tax. As need hardly be said, the heavy burden of the Land Tax, which was little different from the taxes levied during the Tokugawa period and at times was even higher, rendered the modern development of agriculture impossible. However, for the government, which, as we have noted, considered the accumulation of specie and the expansion of exports to be the greatest objectives for the enriching of the state, the sacrificing of the modernization of agriculture for the purposes of the attainment of these objectives was something which had to be accepted. Their thinking was much more practical, and unrelated to the common-sense logic which held that the promotion of foreign trade should first be made the objective in the meantime as an instrument for the purpose of modernizing agriculture, and further, industry.

If we look at the content of the fiscal system as actually put into effect at three points in the process of its formation, the discrepancy in relation to the original vision of tax reform becomes clear (Table 1).

First, as a result of the non-success of the negotiations for treaty revision, the revenue from customs occupied only a small proportion of total national revenue, about 3-7%. Far from fulfilling the functions of a protective tariff, this revenue was so small that it could not even be used as a lever for fostering national industries. If we assume that practically no expectations could be placed in customs as a source of finance for the policy on encouraging industry, the sources of finance must be sought within the sphere of domestic taxation. But under the conditions of the existing state of the development of the economy at this time we may say that assuming that the levying of taxes from the

Table 1. CONTENT OF THE FISCAL SYSTEM

	(in thousand yen)					
	1875		1884		1892	
Total National Taxes (1)	58.610	74%	65.055	66%	67.167	69%
Customs	1.718		2.750		4.991	
Land Tax	50.345	65	43.425	44	37.925	39
<i>Sake</i> Tax	2.555		14.068		15.812	
Tobacco Tax	.206		1.294		2.161	
Soy Tax	—		—		1.278	
Income Tax	—		—		1.132	
Total Local Taxes (2)	19.411	26	33.498	34	30.537	31
Taxes on Land	(19.411)	(26)	18.071	18	14.612	15
Total Taxes (1)+(2)	78.021	100	98.553	100	97.705	100
Taxes on Land	69.756	89	61.496	62	52.537	54

Source: Niwa Kunio 丹羽邦男, "Chiso Kaisei to Chitsuroku Shobun 地租改正と秩祿處分 (The Reform of the Land Tax and the Commutation of Stipends), in *Iwanami Kōza: Nihon Rekishi* 岩波講座: 日本歴史 (Iwanami Lectures: The History of Japan), Vol. 15, Tokyo, Iwanami-shoten, 1962, p. 147.

exporting industries (sericulture and silk-reeling) were to be avoided there were practically no sources of revenue in the sphere of domestic taxation other than the Land Tax and the *Sake* Tax, practically the only tax on local industries from which an income of revenue could be expected. In this way the proportion of total national revenue occupied by the Land Tax was 86% in 1875, and while progressively declining thereafter it was still 56% in 1892. Further, the situation in which it was necessary to seek in the sphere of domestic taxation all the sources of finance required for the construction of a modern state produced a distortion supplementing the deficiencies in national taxation with the revenue from local taxation. With the advance of the equipment, from above, of the local administrative system, delegation of state administrative business to the local administrative organization was carried out on a wide scale, and the local taxes were practically entirely used for this purpose. The expenses incurred in local government in its original form were met in the majority of cases by the levying of Village Expenses, separately from local taxation. Possessing such a content, the local taxes assumed more and more the character of feudal poll taxes in proportion as the national taxes assumed the form of modern taxes presupposing the general development of a commercial economy. Practically the whole of the very limited commodity-producing sector at this time was subject to national taxes, and consequently it was inevitable that the local taxation forms such as the '*ko-sū wari*' 戸數割 and '*tōkyū wari*' 等級割 in which taxes were levied from each household among the

inhabitants should be predominant. Again, taxes levied on the land in the form of '*chika wari*' 地價割, '*chiso wari*' 地租割, or '*tanbetsu wari*' 反別割, made up a high proportion of the local taxes, and when added together with the national Land Tax it meant that the government was levying taxes on the land which at this time amounted to between 54% and 89% of total tax revenue. As we have seen above, the system of taxation as actually put into force showed no signs of the equal taxation of agriculture, industry, and commerce which was held aloft as the objective by the initial vision, and expropriation from agriculture was carried out in a biased manner. Again, if we look only at the national taxes within the fiscal system as brought to realization and emphasize its modern character we will commit an error. In inverse proportion as the national taxes assumed a modern form the character of the feudal expropriation became stronger in the local taxes.

In sum, the government officials' initial vision of tax reform was brought to realization with a character different from that which they had intended.

In this way the bankruptcy of the vision of tax reform as a whole also came to give to the content of the reform of the Land Tax, which was exhibiting realization according to plan, a colouring different from that initially intended by the government. After the reform of the Land Tax, the new Land Tax, which seemed to be the whole of tax reform appeared. This was the main part of the source of funds for the building of a modern state. The abolition, with compensation through the issue of government bonds, of the rights of feudal lords became a precondition for the building of the modern state, and the Land Tax after its reform was to pay for this.

In the initial vision of the reform of the Land Tax it was set out that the Land Tax might be high at first, but later would be progressively decreased. This measure was more than just a ruse for the purposes of getting the peasants to co-operate in the work involved in reforming the Land Tax. But for the reasons given above the intention to reduce the tax was made into a weak thing in the course of drawing up the draft law for the reform of the Land Tax in May and June, 1873. Further, in the law for the Reform of the Land Tax as promulgated the initial vision of levying the tax according to the market value of land was no longer to be found, but a formula for the calculation of land values on the basis of the producing potential of the land was prescribed, and into this formula were woven means by which land values might be inflated by manipulation. Under this formula for

the calculation of land values the area of the piece of land was first determined. Then the average harvest from the land over a period of four or five years was found, and converted into monetary terms by reference to average grain prices in the region. Next the costs of seed and fertilizers (not including wages to labour) were deducted as necessary running costs. After this the expected sum of the new Land Tax was similarly deducted. The remainder was the annual net return from the land, and this, capitalized at the rates of interest general in the region, was taken as the land value. In the points that the costs of the reproduction of labour were not included in running costs and that the costs of agricultural implements, too, were omitted from the calculation, perhaps because they amounted to a very small sum, we may perceive that this was a formula for the determination of land values designed for application to peasants owning small areas of land and running family holdings. However, under this law for the Reform of the Land Tax the necessary running costs were set at a flat rate of 15% of the value of the harvest, and the maximum rate of interest usable was depressed to 0.06. The land values arrived at by such manipulation for raising land values can now scarcely be called the theoretical land values which possessed some degree of rationality.

Furthermore, the formula for the calculation of land values prescribed in the Law for the Reform of the Land Tax was not faithfully applied as it stood. In the Law for the Reform of the Land Tax it was at least clearly stated that the reform would be carried out on the basis of the declarations made by the peasants, and that the government would merely check the veracity of this information. In fact, however, constraining compulsion from the government side was also applied to the quantitative determination of the factors involved in the calculation of land values—quantities harvested, grain prices, and rates of interest. A certain sum in land values (and consequently also a certain sum in terms of the new Land Tax) was prepared in advance on the government side, and the values of the above-mentioned factors were manipulated so that the land values came up to this figure. Differences can be seen in this method as between the early, middle, and late stages of the work of reforming the Land Tax, as well as from region to region at the same stages. In general terms, the later the stages the more ingenious did the method become. Ironically, however, the more ingenious it became the more did the calculation of land values become a mere mechanical calculation for the determining of tax burdens in which numerical values completely divorced from reality were fitted into a fixed

numerical formula. As time went on the principal concern in these matters came to be directed to ensuring a balance with land values in neighbouring land, neighbouring villages, adjacent regions, etc.

Thus, in spite of the fact that in May, 1874, at the beginning of work on the reform of the Land Tax, a special addendum had been affixed to the Law for the Reform of the Land Tax in which provision was made for re-calculating land values five years later—this was a measure adopted out of consideration of the fact that the quantities harvested, grain prices, etc., used in the calculation of land values would gradually change—five years later, in 1880, the implementation of this provision was postponed for another five years, and in 1884 it was finally abolished. Since the land values fixed under the law had from the first been divorced from real land values, either as calculated on the basis of harvests, grain prices, etc., or as actual market values, a provision of this sort was in fact meaningless.

As we have seen above, the necessity of securing a high sum in Land Tax revenue made the land values actually determined in the course of the reform of the Land Tax into land values which were divorced from the market value of land, and which could not be said to have been calculated rationally on the basis of the producing potential of the land.

Lastly, let us make clear the actual effects of the reform of the Land Tax (strictly speaking, of the reform of taxation).

Table 2 shows estimates of the way in which the shares of the state and the various strata of the peasantry changed over the nation as a whole as a result of the reform of the Land Tax. It should be noted that these estimates are confined to rice, the principal product of Japanese agriculture. Again, the state's share included not only the Land Tax but also those of the local taxes which were levied on the land. The reasons for this will probably be clear from what has

Table 2. CHANGES IN SHARES OF TOTAL RICE PRODUCTION IN JAPAN
BETWEEN THE STATE AND THE PEASANTRY (percentage)

	(I) 1873	(II) 1881-1889 (Average)	(III) 1890-1892 (Average)
The State	29	22	13
The Feudal Lord Class	19	—	—
The Peasantry	52	78	87
Landlords	2	13	23
Cultivating Proprietors	40	50	48
Tenants	10	15	16
Total	100	100	100

Source: Same as Table 1.

been said already. Period (I) in the Table immediately precedes the abolition of the system of tenure by feudal lords, Period (II) falls immediately after the completion of the work of reforming the Land Tax, and Period (III) indicates the time at which the taxation system was more or less brought to completion.

Table 2 shows that in 1873, when the system of tenure by feudal lords was still in existence, 48% of the rice produced in Japan was expropriated by the feudal lords and the state and was put on the market by them. (Actually, a fair part of this income was paid to the feudal lords and the state converted into monetary terms. In these cases the marketers of the rice were privileged rice merchants.) By the realization of the commutation of stipends (*Chitsuroku Shobun* 秩祿處分) and the reform of the Land Tax, followed by the institution of new forms of taxation, the proportion occupied by the state's share declined to 13%. These taxes, in the form of the Land Tax, etc., were paid in money, so that in Period (II) and thereafter all the rice produced was marketed by the peasants. However, we must note that this decline in the state's share was only in respect to taxes levied on irrigated land used for rice cultivation and that during and after this period this decline was supplemented by the institution of new taxes and the strengthening of local taxation.

As regards the peasant stratum of society, as a whole the Land Tax on irrigated land used for rice cultivation and the local taxes were lightened as the fiscal system was brought to completion. This, however, was based on an increase in the share obtained by landlords who lent out to tenant peasants the land which they owned and drew from them high rents in kind, and on the consequent increase in the marketing of rice by landlords. The share obtained by the cultivating peasantry—comprising cultivating proprietors and tenants—was partly consumed in the peasant household and the remainder marketed by them. It is of course true that they marketed more than this, the part paid to the state in the form of the Land Tax, etc., included. The share obtained by the cultivating peasantry shows practically no increase over Period (I). That is to say, the decline in the state's share, in the form of the tax income from land, did not enrich the cultivating peasantry but only increased the share obtained by the landlords. From this we may say, confining our consideration of the effects of the reform of the Land Tax to the sphere of agriculture alone, that it brought about the strengthening and expansion of landownership by landlords.

At this point the character of this ownership of land by landlords

will probably come into question. This is because there are still differences of opinion in academic circles over whether the character of this landownership was essentially feudal or modern.

The ownership of land by landlords was formed from the mid-Tokugawa period through sales of land among the peasantry resulting from stratum-differentiation in the peasantry presupposing the development of a certain degree of commercial economy among the peasants. At the time of the reform of the Land Tax the government recognized the private rights of ownership over such land. At the same time the government gave recognition and protection to the levying of high rents from their tenants by landlords, in order to secure a high level of revenue from the Land Tax. As can be seen from Table 2, within rents it also assured an increase in the share obtained by landlords. As a reflection of this in the sphere of law, the absolute exclusiveness of private rights of landownership was assured. That attribute peculiar to modern rights of landownership, namely that the right of cultivation based on a land tenancy contract restricts rights of ownership for the period of the contract, did not exist in the case of Japan up to the time of the Land Reform following the recent war.

The general form and aspect of landlord-tenant relations after the reform of the Land Tax is as follows.

Contracts for the lease of land between landlord and tenant were usually only verbal, and the landlord could take back the land from the tenant at any time he considered necessary during the period of contract. This was so in the case of written tenancy contracts also. That is to say, it is usual for written contracts of tenancy to include a clause to the effect that the land will be vacated whenever the landlord considers necessary. With this absolute power over their tenants in the background, landlords levied high rents in kind (rice). These contracted rents were so high as to rival the annual average yields for the locality, and if they were paid according to the contract only a very small quantity of the harvested produce would remain in the hands of the tenant. It also happened that in certain years the total produce harvested from the land was not sufficient to pay the contracted rent. Consequently, apart from years in which there was a particularly abundant harvest, in practically every year rents were subject to some degree of reduction in the light of the yield. The state of the harvest for that year was ascertained by harvesting a small portion of the tenant's land, and it was decided how much the rent should be reduced below the contracted figure. In the majority of cases it was common for the landlords of a

certain region to get into communication with one another and decide by how much rents were to be reduced. Viewed from the side of the tenants, it meant that by this mode of tenancy contract they were in practice left with only the minimum necessary for the maintenance of life and the whole of the remainder was taken away by the landlord in the form of rent. This was exactly the same as the form of taxation in kind levied from the peasants by the feudal lords in the Tokugawa period—the *kemi* 検見 system of tax assessment which was the most typical in that form of taxation. Further, even at this time the landlords and tenants called the above-mentioned mode of levying rent “*kemi*”. (The method of levying feudal taxes during the Tokugawa period changed from the mid-Tokugawa period onward from the *kemi* system to the *jōmen* 定免 system in which a sum somewhat less than the taxes actually paid over the last four or five years was fixed as the amount to be paid each year thereafter, and neither was more than this amount taken in good years nor were any reductions made except in particularly bad years—and in the case of the landlord system, too, a transition from the *kemi* system employed at first to the *jōmen* system can be discerned in the levying of rents.)

The content of such landlord-tenant relations cannot be that of modern contractual relations. Consequently we cannot say that the land-ownership by landlords which was the basis for such relations was of a modern character. It is a case of the private ownership of land, and the relations between landlord and tenant were those of private contract protected by the civil law, but we may say that the content of these relations included, preserved intact, the relations between the feudal lords and the peasants over the levying of feudal taxes under the system of tenure by feudal lords.

Concluding our examination of the taxation system and the landlord system which grew up under it, let us finally indicate the form of existence of the cultivating peasantry which was prescribed by this system.

As is shown by the results of the estimates given in Tables 1 and 2, in the period 1890–1892 the amount of rice left on hand after the payment of the Land Tax and other taxes levied on the land was only 6.429 *koku* (about 0.974 tons) for the national-average size of cultivating proprietor's holding, and there was added to this some quantity of produce from unirrigated land, used principally for subsistence. What was left on the tenant holding after the payment of rent was even less, being no more than 2.667 *koku* 石 (about 0.4 tons) of rice and some quantity of unirrigated crops. Assuming that rice was the principal article of diet

throughout, on the family holding consisting mainly of irrigated land used for rice cultivation (average of 5.4 persons per household), 86% of the rice left on hand was consumed on the holdings of cultivating proprietors, while on tenant holding the amount of rice left on hand was barely sufficient for consumption over half of the year. This represented a condition in which both cultivating proprietors and tenants, while producing rice themselves, were not able to eat unadulterated rice as their principal article of diet, even into the Meiji period and thereafter. Unless grain grown on unirrigated land was added in as large quantities as possible to the rice eaten as the principal article of diet and the amount of saleable rice increased as much as possible, it would be difficult to get the money required for the expenditures for the economic reproduction of the holding. In fact, in 1891, 35% of all cultivating proprietors and 41% of tenants were engaged in some work outside of agriculture, and were maintaining their holdings with difficulty by means of the added cash income from these sources. Further, the cultivating proprietors were selling their land throughout the period around this time, and were lapsing into the status of tenants. It is conceivable that a still further fall in standards of living was brought about in this way. Generally viewed, it is clear that there was no tendency towards the development of the agricultural holding at this period.

Again, there was no sign of a tendency for the cultivating proprietors who failed and sold their land to leave the villages. In the majority of cases they went on cultivating the land which they had sold, holding it in tenancy from the buyer. Consequently, the above-mentioned tendency for cultivating proprietors to fail and sell their land did indeed bring about the enlargement of the landlord system, but did not necessarily result in the enlargement of the sources of supply of labour-power for industry. For this reason, the phenomenon of labour-shortage was always appearing in the subsequent process of industrialization. Again, in Japan the rapid development of factory-system industry existed alongside the development of a widespread domestic industry of the putting-out system centred on the agricultural villages (for example, in the silk-reeling, textiles, and other industries), and because of the seasonal character of the latter, the labour employed in it was supplied from the peasantry which, as we have shown above, could not maintain themselves by agriculture alone, either during the slack seasons in agriculture or in the form of part-time employment by female minors.

III. THE GOVERNMENT PROGRAMME FOR THE ENCOURAGEMENT OF INDUSTRY

By the implementation of the reform of the taxation system, centred on the reform of the Land Tax, the government brought to completion mechanisms of tax collection which differed in form from those of the Tokugawa period, principally in the agricultural sector. With the sources of revenue thus secured, the government went on to strengthen its military power and to undertake investments for fostering the modern industry. In Japan the aspect of the strengthening of military power in particular must be emphasized in considering the development of capitalism. This is because in the case of Japan, where there was always an absolute shortage of capital for foreign investment to secure markets in China, Korea, and other overseas territories in the face of competition from the advanced countries, the employment of military power for the securing of markets always preceded investment. However, since this question is off the main topic of the present article we shall not take it up here.

As we said at the beginning, the government's programme for the encouragement of industry began as early as 1870, that is, before the abolition of the fiefs and their replacement by Prefectures, with the establishment of the Ministry of Works. The period of eight years from this time, passing through the period from 1873 when the Ministry of the Interior was established and the Ministries of Works and the Interior each took a share in promoting modernization in the industries, up to 1881, when the Ministry of Agriculture and Commerce was established, is characterized as the period of the implementation of the policy for the encouragement of industry "from *above*" centred on government enterprises.

During this period the percentages of annual government expenditure occupied by expenses incurred in the field of the encouragement of industry lay in the 10-20% range, and were still at a low level (Table 3). As we have noted in the previous section, up to the commutation of stipends in 1876 hereditary stipends were being paid yearly to the members of the feudal lord class. This was a great drain on the national exchequer. The expenditures in respect of hereditary stipends amounted to approximately 30-40% of tax revenue. Further, until a change was made to money payments in 1875, these stipends were paid in kind (rice). Consequently, before the reform of the Land Tax the feudal lord class were receiving their hereditary stipends on a priority

basis out of the feudal taxes levied in kind by the government.

It would seem to be clear that no increase could be effected in the expenditures for the encouragement of industry without the abolition of the payment of these stipends, that is, without the break-up of the feudal lord class. Again, the development of private enterprise could not be achieved unless the system of land tenure which was the basis of the existence of the feudal lord class were broken up by the reform of the Land Tax. Consequently, the greatest concern of the government at this period was directed to the reform of the Land Tax, and the policy for the encouragement of industry during this period was concentrated on promoting government enterprises. These government enterprises were chiefly located in railways and mining. As regards railways it was intended first to lay down the main part of the commodity circulation lines leading to one or other of the open ports, such as the Tokyo-Yokohama 東京-横濱 Line and the Kōbe-Ōtsu 神戸-大津 Line, while in regard to the mines chief attention was given to the enlargement of the mining of gold, silver, and copper. As need hardly be said, this was done as a counter-measure to the efflux of specie which was occurring at this time—in concrete terms, with the intention of obtaining the raw materials for the minting of new currency.

The agriculture and its related industries were also by no means neglected. Government installations were being set up throughout this period with the intention that they should fulfil leading roles in the modernization of agriculture. Representative of these are the School of Agriculture at Komaba, Tokyo, the Agricultural Experiment Station at Naitō-Shinjuku, Tokyo, the Shimousa Sheep Farm, the Senju Woollen Cloth Factory, the Shimmachi Spinning Plant, and the Tomioka Silk-Reeling Factory. The first three of these were established in accordance with a line of policy which sought to transplant the capitalist agriculture of Europe and America into Japan without alteration, paying no attention to the degree of development of agriculture or its special characteristics. This is also true of the latter three as well. That is to say, the intention was to transplant the machine industry of the advanced countries into Japan with the factory as the unit, completely regardless of the actual condition of existing industries. Further, this transplantation of industry was carried out with the sole intention of stopping imports and encouraging exports. Thus the Tomioka Silk-Reeling Factory was set up as one of the counter-measures to the situation created by the loss of reputation abroad resulting from Japanese

over-production of low-grade silk and the consequent falling-off of exports. The Shimmachi Spinning Plant was set up with the intention of spinning silk thread from the various kinds of waste silk which at this time accounted for approximately 10% of the value of silk exports. Instead of exporting them as they were, they would export them as semi-processed goods at a still higher price. Again, the Senju Woollen Cloth Factory was built with the intention of providing woollens for military uniforms out of domestic production.

The above government enterprises in the fields of manufacturing, mining, and agriculture between 1870 and 1880 were carried out as counter-measures to the worsening of the terms of foreign trade at this time, represented by the succession of import surpluses and the efflux of specie. Their character as planned measures for the attainment of modernization in the indigenous industries was extremely slight. Even at the Tomioka Silk-Reeling Factory, as a model training factory for private enterprise in matters of technology, the situation arose in which technological transmission to non-government personnel was actually refused, so that private enterprise had to take some pains to obtain knowledge of the technology, and here the privileged and monopolistic character of the government enterprises is revealed.

In the next period, from 1881 onward, the execution of the commutation of stipends and the virtual completion of the reform of the Land Tax produced a new condition in government finance, a condition in which the payments of stipends which had hitherto stood in the way of the effecting of the policies for encouragement of industry were now terminated. On the other hand, as a result of the break-up of the system of land tenure by the feudal lords the preconditions for the development of widespread industrial activity by private enterprise were now also provided. Against the background of this state of affairs a new development in policies for encouragement of industry took place during this period.

As is shown in Table 3, after 1880-81 expenditure for the purposes of the encouragement of industry increased to the scale of more than 20% of total annual government expenditure. At the same time changes also appear in the content of these policies. Firstly, there was the selling-off of government enterprises and the concentrating of government enterprises in the armament industries, and secondly there were new ventures in the government attempts to start modern non-government enterprises by importing factory plant, machines, raw materials, etc., and lending, or supplying, these to private enterprise, and also providing

Table 3. PERCENTAGE OF TOTAL ANNUAL EXPENDITURE SPENT IN THE ENCOURAGEMENT OF INDUSTRY.
(percentage)

April, 1871–December, 1872	18
January, 1873–December, 1873	12
January, 1874–December, 1874	10
January, 1875–June, 1875	9
July, 1875–June, 1876	15
July, 1876–June, 1877	15
July, 1877–June, 1878	11
July, 1878–June, 1879	17
July, 1879–June, 1880	14
July, 1880–June, 1881	21
July, 1881–June, 1882	24
July, 1882–June, 1883	24
July, 1883–June, 1884	29
July, 1884–June, 1885	16
July, 1885–March, 1886	22

Note: The expenditures for the encouragement of industry are from Ishizuka Hiromichi 石塚裕道, "*Shokusan Kōgyō Seisaku no Tenkai*" 殖産興業政策の展開 (The Development of the Government Policies for the Encouragement of Industry) in *Nihon Keizaiishi Taikēi* 日本經濟史大系 (Japan Economic History Series), Vol. 5, edited by Kajinishi Mitsuhaya 梶西光速, Tokyo, Tokyodaigaku-shuppankai, 1965, pp. 64–65.

capital and technical assistance. These were represented by the establishment of 2,000-spindle spinning factories at various places in Japan and encouragement of the experimental cultivation of new foreign strains of seed in agriculture. Thirdly, there was the following up of government investment in transport and communications and government encouragement and assistance to private investment in the same field. The typical latter case being seen in the Japan Railways Company, established in 1881. Lastly, we must mention the establishment of organs for the provision of credit, granted that these had only an indirect significance for government policies for the encouragement of industry. The main measures in this field were the establishment of the Yokohama Specie Bank in 1880, and the establishment of the Bank of Japan in 1882.

The great feature of the policies for the encouragement of industry which we have reviewed above was not to be found in direct government attempts to set up modern factories, principally with the help of the financial resources drawn off from agriculture by means of the newly formed taxation system, but in the government's efforts to produce concentrations of private capital by means of the "pump-priming" constituted by government investment and credit-provision and various kinds of assistance, and by this means to form and develop modern enterprises.

It would seem to be permissible to say that government policies for the encouragement of industry in the strict sense of the term began from this period.

However, the policies for the encouragement of industry of this

period, too, like those of the preceding period, did not produce the results expected.

Among the government policies of this period, those which proved to have the greatest significance for subsequent development of industry were the government enterprises in transport and credit-provision. The government's efforts undertaken with the direct intention of modernizing agriculture and industry bore no fruit, and it was rather the measures devised with the direct intention of improving the condition of foreign trade which created the basic conditions for the subsequent development of capitalism—an ironical fact from the government's point of view.

In 1876 the government revised the Regulations for National Banks and gave recognition to the establishment of banks by the issue of government bonds. It was after the removal of the ban on the mortgaging and selling of the hereditary pension bonds (*Kinroku Kōsai* 金祿公債) in 1878 that this measure exerted a real influence. From that year onwards banks were rapidly established in all parts of Japan, and through their operation of documentary bill business the organization which they formed subsequently did much to promote commodity circulation (particularly silk and rice) between distant parts of the country (between the silk-reeling areas and the open ports, etc.). We may add that the documentary bill business of these banks at this time was a species of mortgage loan in which the bank took over the goods, consigned them to the addressée and received payment from him, and it differed from modern documentary bill business.

The network of the national banks which was established by their carrying on documentary bill business of this kind facilitated movements of funds in the private enterprise sector and fulfilled the function of collecting capital over a wide range at the time of the later rise of new non-government enterprises.

Next, government construction of railways at this period was continued sporadically from the previous period along the principal commodity circulation routes with the open ports as their bases, and in 1889 the Tōkaidō Line railway was completed. As well as furthering state railway construction of this kind, in 1881, on the occasion of the establishment of the Japan Railways Company, the government adopted such measures of protection as the supply of government-employed technicians, assistance in land purchase, and an 8% dividend security. It also took steps to lead private capital into railway construction. The good results produced by this Japan Railways Company at length brought about

the private enterprise railways boom of the 1890's.

In contrast to this, the government's policy for the encouragement of the private enterprise spinning industry, centred on the selling-off of ten imported 2,000-spindle spinning machines over the years 1880-1881, ended in failure.

While on the one hand pressing forward measures for the encouragement of agriculture such as the encouragement of the experimental cultivation of American cotton in place of the native cotton with the intention of protecting Japanese cotton cultivation, one of the most highly developed sectors of traditional Japanese agriculture, the government also espoused the intention of fostering a modern spinning industry using this home-produced cotton as its raw material. However, the subsequent running of the 2,000-spindle spinning plants did not proceed smoothly, and although these had been sold off at the advantageous terms of interest-free payment by instalments over ten years, practically all these spinning plants were at length brought to a condition in which they applied for the postponement of payment. The reasons for their unprosperous condition are considered to be the fact that they employed water-power, and the fact that they clung to Japanese cotton as their raw material.

The beginning of the development of the Japanese spinning industry occurred without any connexion with the government policies for the protection and fostering of industry. We refer to the success of the Ōsaka Spinning Company, established in 1882 without any government subsidy.

The Ōsaka Spinning Company was established in accordance with the plans of Shibusawa Eiichi 澁澤榮一 and with the help of funds subscribed by the great financiers of Ōsaka and a number of members of the former feudal lord class. The plant differed from that of the government-protected spinning industry in that steam-power was used on a scale of 10,000 spindles, and in the fact that Japanese cotton was despaired of and a change made to Indian cotton as the raw material. Further, out of the necessity of having to pay high dividends to the shareholders from the first, work on an all-night two-shift basis was adopted shortly after the plant came into operation. For Ōsaka Spinning the payment of high dividends to the shareholders was a necessary measure for overcoming the difficulty of raising share capital. High dividends at Ōsaka Spinning brought about a rapid increase in private investment in the spinning industry thereafter.

In this way development in the spinning industry began with the

success of the Ōsaka Spinning Company, and at the same time the social class which was the undertaker of this development came into view. That is to say, the transformation into industrial capitalists of the privileged merchants of Ōsaka, Edo, and the principal provincial cities of the Tokugawa period first emerged in the spinning industry.

To sum up the above, the policies for the encouragement of industry carried out by the government with the financial resources it had secured by its taxation reform did not perform a sufficient role in the formation of Japanese capitalism, in spite of the immense sums invested by the state. In the result, only the provision of the preconditions for capitalist development, in the form of the equipment of facilities for transport and communication and the formation of the credit-provision organization, was brought about by the government policies for the encouragement of industry.

The government's intention of transplanting modern agriculture and industry into Japan ended in failure in every field except that of the armament industry, where considerations of commercial accounting were set aside, and on the contrary it was by the independent moves made by private capital, unprotected by the government, that the beginning of the development of machine industry was first created in the spinning industry.

However, the results of the government's policies for the encouragement of industry up to 1891 assisted the rapid development of machine production in the spinning industry, and also facilitated the spread of machine production from the spinning industry to other industries.

Again, with the development of machine production in private-enterprise industry the means of production, which at first had been totally supplied by imports from overseas, came to be partially supplied from the armament industries which had been set up as a result of the government's policies for the encouragement of industry.