

## Social Studies

### CONCEPT OF MARKET PRINCIPLES IN EARLY MODERN JAPAN

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*The period of the Tokugawa regime (1603–1868) corresponds to the age of the European intellectual ferment from which economics emerged as an independent discipline. Though certain parts of Western thought, particularly natural science, were studied and propagated by Japanese scholars, the access to the realm of Western political and economic ideas was relatively restricted. At the same time, however, the evolution of the increasing complex Japanese economic system was creating some phenomena – the expansion of commerce, the fluctuation of prices, the intricate division of labour, etc. – which inspired the speculations of European economic thinkers. The article analyzes the particular question of how the leading intellectual figures, including merchant scholars, discussed the intricate problem of market principles.*

While no one disputes Japan's impressive record of economic development over the last 150 years, there is less agreement about the degree and ingenuity of the intellectual modernization which accompanied it. In recent years, the crisis of universal Eurocentric model of modernity has called the urgent need for a truly comparative analysis of developments of the various intellectual transitions outside the European context.<sup>1</sup>

It is an undeniable fact that the break with the traditions, which has accompanied the process of modernization, seems to be most apparent in the realm of economic thought. The major part of the scholars dealing with the history of economic thought and inquiring the Japanese pre-modern economic traditions have exclusively accepted the concept of universal validity of the Western neo-classical economic model based on the notion of economics as an objective science dealing with the problem of the optimal allocation of scarce sources.

Thus, some "Western" writers who attempted to define the enduring characteristics of the Japanese or even the Asian economic tradition referred to the gap between the "Western" and the "Oriental" mode of economic thought, the latter being based on "conceptions of logic which differ

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<sup>1</sup> Bjorn Wittrock, "Social Theory and Intellectual History", in *Japan in a Comparative Perspective*, ed. Hidehiro Sonoda, Shmuel Noah Eisenstadt, Kyoto: International Research Center for Japanese Studies, 1999, 113.

markedly from those of the West”<sup>2</sup>. Japanese writers, although more careful to distinguish their own traditions from those of other “Oriental” countries, have also often perceived a discontinuity between the economic thought of Japan and the West.<sup>3</sup>

In such contrasts between Japanese and western thought, however, “the West” often becomes no more than an idealized antithesis – either a heaven or a hell – which is used to damn or glorify the existing state of affairs in Japan. Thus, for Japanese nationalists, Western materialism and individualism have provided an antipole to their own nation’s spirituality and social cohesion. Some liberal Japanese writers, on the other hand, have seen the Western civilization as characterized rather by altruism and a sense of individual responsibility and have used these characteristics to highlight the narrow, materialistic nationalism which they perceived as inherent flaws in Japanese culture.<sup>4</sup>

The introduction of Western thought into Asian countries in the 19th and 20th centuries was frequently as much a destructive as a creative process. Because Japan retained its independence, however, Japanese scholars seem to have had rather less difficulty in maintaining contact with their country’s earlier intellectual traditions. This is not to deny that much of Meiji economic research consisted of the translation and emulation of Western scholarship but, as Maruyama Masao says, “to divide [modern Japanese thought] into ‘traditional’ and ‘non-traditional’ categories is to make a major mistake. Foreign ideas have been absorbed and incorporated in various ways into our consciousness and way of life, and have stamped their indelible mark on our culture.”<sup>5</sup> Maruyama goes on to suggest that Japanese thinkers have tended to combine these elements in a rather random and eclectic way and therefore the development of Japanese ideas has been characterized by a lack of continuity and coherence. As far as Japanese economic thought is concerned, however, the haphazard mixing of Western and non-Western ideas is not particularly evident at first sight. Nevertheless, when examining the process by which Japanese thinkers began to accept the Western economic thought we cannot ignore either the strict selection of the ideas particularly relevant to their interests (conservatism and nationalism) or their specifically Japanese interpretation. These ideas, when combined with the traditional values, were effectively used not only in the years of modernization but also during political and economic expansion in the pre-war period in Japan.

When analysing the process of creation of the economic ideas in modern Japan and their role in making modern Japanese society we cannot omit the role of pre-modern traditions – particularly the Tokugawa intellectual ones.

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<sup>2</sup> E. Stuart Kirby, “The reception of Western economics in the Orient”, *Quarterly Journal of Economics* 66, 13 (1952).

<sup>3</sup> Yamazaki Masukichi, *Nihon keizai shisoshi: Nihonteki riso shakai he no michi*, Tokyo: Kobundo shuppan, 1981.

<sup>4</sup> For the discussions in detail see Tessa Morris-Suzuki, *A History of Japanese Economic Thought*, London: Routledge, 1989, 2–6.

<sup>5</sup> Maruyama Masao, *Nihon no shiso*, Tokyo: Iwanami shinsho, 1961, 8.

The Tokugawa period (1603–1868) corresponded to the age of the European intellectual ferment from which economics emerged as an independent discipline. During these two-and-half centuries, although certain branches of Western scientific thought were assimilated and propagated by Japanese scholars, the introduction of Western philosophical, political and economic ideas into Japan was relatively restricted. At the same time, however, the evolution of the increasingly complex Japanese economic system was creating some of the phenomena which had inspired the speculations of European economic thinkers from Thomas Munn to François Quesnay and Adam Smith. These phenomena included the expansion of commerce, the fluctuation of prices, the growing sophistication of the division of labour, etc. – strictly speaking, the notion of market and its mechanism.

Because economic development in Tokugawa Japan took place in an environment of relative cultural isolation, a study of this period offers us particularly fascinating insights into some of the most profound questions in the history of economic thought: How far are economic theories shaped by the metaphysical, ethical and philosophical traditions, and how far by economic circumstances? Or do thinkers from diverse traditions, when confronted with the same economic problem, pose similar questions and devise similar answers?

In my short paper I would like to show that although the Japanese scholars' concept of "economics" was often very different from that of modern economists, their intellectual enquiries sometimes led them along the paths curiously similar to those explored by their European contemporaries. Unfortunately, as I lack both time and capacity to provide an all-inclusive account of the economic ideas in existence in Tokugawa Japan, I will focus on a very particular question of how the leading intellectual figures of the period discussed the intricate problem of the market mechanism, or more generally speaking, what forces were behind the rising conflict between Tokugawa ideology of social stability and the realities of the economic world.

### **Concept of Economics in Tokugawa Intellectual Milieu**

First of all, let me present a few general remarks on the concept of economics and economic environment in Tokugawa Japan. Economics as a distinct field of study is a modern phenomenon, but economic ideas in J. S. Mill's sense of the word, i. e. ideas about the nature of wealth, including the laws of its production and distribution, have existed in various epochs and in many different societies. The common thread connecting these economic ideas is the fact that they evolved in societies with the well-developed division of labour, complex commercial systems, prosperous cities and the widespread use of money. In a society of such type, political and social relationships increasingly acquired an economic form. Prosperity and even status were no longer determined purely by military might, political custom or heredity, but could be influenced by mysterious and apparently impersonal forces such as the level of prices or the scarcity of specific commodities. Philosophers and administrators who were concerned with questions of social order and justice were, therefore, more and more often forced to turn their attention to unmistakably "economic" issues.

This new phenomenon became most apparent in the fast growing cities, where the theoretically rigid social hierarchy was giving way to a more fluid and ephemeral order. In his masterpiece *Nippon eitaigura* (The Japanese Family Storehouse) Ihara Saikaku observed that

“as a rule, a well-to-do person in Osaka is not the heir to generations of wealth. He is more often some humble clerk – a ‘Kichizo’ or ‘Sansuke’ – who has a quick rise in the world and comes into money. Gradually as opportunities offer, he acquires the elements of Chinese and Japanese verse composition, kickball, archery, the koto, the flute, the drums, incense blending and the tea ceremony, and by associating with the best people he even loses his old vulgarities of speech. In life, it is training rather than birth which counts, and it is not unknown for the unwanted offspring of noble families to earn their living by hawking home-made paper flowers.”<sup>6</sup>

Discussions of economic issues in Tokugawa Japan were almost always inseparably bound up with discussions of this erosion of the hereditary social order, and not surprisingly, the contrasting views put forward by contemporary philosophers frequently reflected their own position in the social hierarchy. The important point, however, was that social changes forced the leading intellectual figures of the period to confront issues such as the economic basis of the status system and causes of the changing distribution of wealth. In this way, the frontiers of philosophical enquiry were broadened to include an increasing range of economic issues.

Thomas Kuhn, in his book *The Structure of Scientific Revolutions*, observes that discovery commences with the awareness of anomaly.<sup>7</sup> Thus, in Tokugawa Japan, the anomaly between the formal rigidity and the actual fluidity of the social and economic system generated enquiries and innovations in many areas of political, economic and ethical thought.

On the other hand, although the economic thought increasingly involved the questioning of some aspects of philosophical tradition, it never wholly escaped the influence of that tradition, particularly Confucianism. The Confucian influence is particularly evident in the concept of economics itself. The term *keizai*, which in the modern Japanese means “economy”, already existed in Tokugawa Japan, but its meaning was far removed from neoclassical notions of economics as the science of an efficient allocation of relatively scarce resources among alternative uses.

*Keizai* was an abbreviation of the phrase *keikoku saimin* (or *keisei saimin*), which is usually translated as “administering the nation and relieving the suffering of the people”. The comprehensive etymology of the term can be found, for example, at the very beginning of *Keizairoku* (Economic Annals) written by Dazai Shundai in 1729:

“To govern the whole nation under heaven is *keizai*. It is the virtue of ruling society and relieving the suffering of the people. *Kei* is wise statesmanship (*keirin*). ... *Kei* literally means ‘to control a thread’. The warp of a piece of material is called *kei* and the woof, *i*. When a weaving woman makes silk cloth, she first prepares the warp ... and then she weaves in the woof. *Kei* is also ‘management’ [or ‘construction’]. ... When you construct a royal palace, you must first make a plan of the whole, and then you carry out the plan. This is *kei*. *Sai* means the virtue of salvation. This may also be read

<sup>6</sup> Ihara Saikaku, *The Japanese Family Storehouse*, trans. G. W. Sargent, Cambridge: Cambridge University Press, 1969, 23–24.

<sup>7</sup> Thomas Kuhn, *The Structure of Scientific Revolutions*, Chicago: University of Chicago Press, 1970, 52.

*wataru*, and literally means ‘to carry someone across a river to the farther bank’ ... It is also the virtue of bringing relief, which may be read *sukuu*, and means ‘to relieve people of their sufferings’. Moreover, it may be interpreted as meaning ‘accomplishment’ or ‘bringing to fruition’. Therefore the term [*keizai*] has many meanings, but the essential point of those meanings is simply this: in short, to manage affairs and to bring these affairs to a successful conclusion.”<sup>8</sup>

Thus, while economics in Europe, under the influence of Newtonian physics, came to present itself as a detached and objective science, *keizai* was a philosophical system inescapably bound up with questions of justice, law and morality. This fundamental Confucian idea continued to provide the framework for economic thought into the closing years of the Tokugawa period and even beyond. Thus it is hardly surprising that with the opening of Japan to the West in the mid-nineteenth century, the theories of laissez-faire should have rather less appeal than the state-centered theories of the German historical school represented by Friedrich List or the Marxism in the early twentieth century.

### **Kumazawa Banzan and the First Sprouts of Economic Thought**

Now let me come up to the core problem of my presentation – how Tokugawa thinkers dealt with the problem of market principle and related issues. As I have mentioned before, one of the central concerns of Tokugawa economic debates was related to the broad question of discrepancy between the rich cities, where “goods are treasured more than good people” and the impoverished countryside, where “the people’s food is like the fodder of cows and horses”, as Kumazawa Banzan pointed out.

Kumazawa Banzan (1619–1691), one of the leading intellectual figures in the 17th century, dealt not only with political, economic and ethical problems but also made an important contribution to the field of history or literature. His *Genji gaiden* (The commentary on the Tale of Genji) is still viewed as one of the most profound theoretical studies on this masterpiece of the Japanese classical literature. In the realm of economic writings, however, he might be the first person who discussed systematically the issues of luxury and poverty not as merely contrasted but interrelated phenomena, the latter being seen as an inevitable consequence of the former.

Rural poverty was a widely recognized problem in seventeenth-century Japan, but the phenomenon was popularly attributed to the shortage of agricultural land and not to the expansion of money economy and growth of market transactions. The solution was therefore sought in the opening up of new land by clearing forests and converting grasslands to paddy. Banzan rejected this solution as ineffective and asked for a more fundamental reform of the system as a whole. In particular, he clearly identified the sources of poverty as lying in the development of more sophisticated market transactions or, in other words, in the spread of money economy.

“There are many reasons [for the impoverishment of the samurai and farmers]. First, in big cities and small alike, on land by the rivers and sea which is convenient for transport, urban areas are being

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<sup>8</sup> Dazai Shundai, *Keizairoku*, Nihon shiso taikci 37, Tokyo: Iwanami shoten, 1972, 16.

built, and luxury is growing day by day without check. Merchants grow rich while warriors are impoverished. Secondly, the practice of exchanging grain for other goods is steadily disappearing, and gold, silver and copper alone are being used. Price are becoming high and the nation's gold and silver are flowing into the hands of the merchants. As a result, great and lesser samurai are lacking in finance. Thirdly, when proper social customs are abandoned, [economic] affairs become complex. Samurai exchange their rice stipends for gold, silver and copper coins, and so buy goods. If the price of rice is low and the price of goods is high, they are short of money ... When the samurai are in distress, the amount which they take from the people doubles. ...The poverty of the samurai also means that merchants have no one with whom they can exchange goods for grain, and only the big merchants become steadily richer."<sup>9</sup>

Banzan's ideas resemble those of the French Physiocrats in the sense that he, too, saw agriculture as the source of all wealth. Like the Physiocrats, he demanded that the crushing burden of agricultural taxes be lightened so that farmers would have a greater incentive to produce grain, the source of all true wealth. But in his writings these ideas do not lead – as they do in Quesnay's – towards an analysis of the economy as an interrelated whole. Instead, he advocated a retreat from money economy towards a system in which rice was the principal measure of value and the medium of exchange. He was also aware of the connection between money economy and the social system and recognized that reducing the sphere of monetary exchange must involve a fundamental reshaping of society. This was to be achieved by recreating the social order of earlier centuries, when the samurai lived among common people as farmer-soldiers (*nohei*). If samurai returned to the land, the peasantry would no longer have to support the substantial unproductive ruling class, and agriculture would flourish. Of course, the solutions that he proposed were completely anachronistic even at the time in which he was writing, but he perceived what forces were behind the spread of markets and the development of monetarization of the whole economy. In other words, we can say that he was the first thinker who – within 80 years of establishment of Tokugawa regime – had already identified the factors that would ultimately cause the regime's downfall.

### **Inquiry into the Monetary Problems**

In the closing decades of the 17th century the sudden expansion of commercial economy and the growth of market transactions created a completely new problem of the growing demand for money which the existing currency system was ill-equipped to meet. So the monetary problems, e. g., price fluctuations, repeated currency crises, the debasement of coinage, etc. became the central concern of economic debates. These problems are very clearly apparent in the contrasting views of Arai Hakuseki (1657–1725) and Ogyu Sorai (1666–1728) who were unquestionably the most eminent intellectual figures of their days and perhaps of the Tokugawa period as a whole. Let me sum up briefly some of their ideas on the above-mentioned monetary problems.

As far as the acceptance of market mechanism and money economy is concerned, Sorai's ideas seem to be more conservative than Hakuseki's ones. Although Sorai agrees with Banzan in advocating

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<sup>9</sup> Kumazawa Banzan, *Shugi washo*, Nihon shiso taikai 30, Tokyo: Iwanami shoten, 1971, 249.

the return of samurai to the countryside, he does not suggest the re-establishment of rice as the medium of exchange and accepts the use of coinage. At the same time, however, he proposes to restrict its influence by increasing the use of taxes and tributes paid in kind.

Hakuseki, on the contrary, gives primacy to the importance of precious metals. In his most famous statement on the problem Hakuseki reverses the principle of “revering grain and despising gold” (*kikoku senkin*), and instead presents precious metals as the resources which, being non-renewable, must be most carefully husbanded.

“Gold and silver are made by heaven and earth. If we use the metaphor of the human form, we can say that they are like the bones, while all other valuable products are like the blood, muscle, skin and hair. Blood, muscle, skin and hair can be damaged and will grow again. But bones, once they are damaged, cannot be regenerated. Gold and silver are like the bones of heaven and earth. Once they have been removed, they cannot be re-created.”<sup>10</sup>

In a sense, the contrast between the economic approaches of Sorai and Hakuseki seems to reflect the contrast of personality and social position. Sorai was above all a philosopher and teacher, a man who was only occasionally called on to offer political advice, and therefore he viewed the problem of monetarization from a somewhat detached position. Hakuseki was, on the contrary, a man with a strongly practical and empirical turn of mind, and as an adviser to two shoguns he was directly involved in the formulation of the economic policy.

Hakuseki’s interest in the supply of precious metals can be seen in his views on the relationship between money supply and price level. The high inflation that had occurred since the debasement of the coinage in 1695 had provoked a debate on the determinants of price. In contrast to the prevailing view, which attributed inflation to the poor quality of the Genroku coinage, Hakuseki adopted a strict quantity theory of money.

“As a rule, when the value of goods is high, the value of currency is low, and the reason for the low value of currency is its great quantity. In this situation, if we use laws to control the currency and reduce its quantity, the value of goods will fall and the value of currency will increase. When the value of currency is high, because its quantity is low, we should use laws to increase the amount of coins in circulation. In this way, the value of currency and goods will be kept in balance, and wealth will flow abundantly throughout the nation.”<sup>11</sup>

This was very progressive and modern attitude, but in a country whose currency was still largely based on precious metals, however, the problems of quantity and quality were not easily separable. When Hakuseki, as the adviser to the shogun Ienobu, had the opportunity to put his theories into practice, the policy that he proposed in fact involved a re-minting of coinage and even worsened the economic situation.

The failure of Hakuseki’s policy of recoinage provided a basis on which his rival, Ogyu Sorai, could attack on Hakuseki’s quantity theory of money. In his eyes, the policy of recoinage was mistaken because it failed to grasp the moral and social causes of inflation.

<sup>10</sup> Arai Hakuseki, *Honcho takara tsuka yojiryaku*, Arai Hakuseki Zenshu 3, Tokyo: Kokusho kankokai, 1906, 673.

<sup>11</sup> Arai Hakuseki, *Hakuseki kengi*, Arai Hakuseki Zenshu 6, Tokyo: Kokusho kankokai, 1906, 191–192.

“The reason why prices have risen is not that during the Genroku recoinage the currency was debased by mixing silver with gold and copper with silver. Nor have price rises been caused by an increase in the amount of gold and silver in circulation. Rather, the reasons are that people are living like guests in an inn and there is no proper system of etiquette and the power of the merchants has increased. It is the accumulation of these factors that has caused the cost of goods to rise, and for this reason the amount of coinage expanded in the Genroku period and prices became more expensive”.<sup>12</sup>

In this statement Sorai’s views on prices appear more conservative and less original than Hakuseki’s monetary theory. However, seeing Sorai’s approach in more detail we can find many interesting contributions to the price debates. Sorai recognized that prices were not regulated by a single causative factor but were subject to many influences. While Hakuseki had focused exclusively on monetary aspects, Sorai drew his attention to the importance of costs of production and the balance of supply and demand.

In his search for an explanation of the paradox of rising prices at a time of reduced money supply, he also arrived to the importance of credit and of the velocity of circulation.

“In actuality, gold and silver do not remain in one place but move around from place to place and from one direction to another. For this reason, one hundred *ryo* of gold may perform the work of a hundred thousand *ryo*. But even if one hundred thousand *ryo* worth of promissory notes are added together, the amount of genuine coin at work is still only one hundred *ryo*. That is the nature of money.”<sup>13</sup>

The presentation of the new ideas on the determination of prices or on how the market operates does not, however, imply acceptance of commerce as an essential part of economic activity. In order to find an intellectual defense of commercial profit-making activity, we should turn from the thought of so-called samurai scholars to the writings of the newly emerging merchant philosophers of the 18<sup>th</sup> century like Ishida Baigan (1685–1744).<sup>14</sup>

### **Defense of Commercial Activity and the Origin of Way of Merchants**

Baigan was born into a peasant household but was later apprenticed to a merchant family in Kyoto. A keen student of Shinto, Confucian and Buddhist thought, Baigan abandoned commercial employment and set up a lecture hall in which he preached his own eclectic form of religious belief called *Sekimon shingaku* (Baigan’s study of Heart and Mind).<sup>15</sup> Since his system of self-improvement was inspired by more than one religious tradition, this teaching is often identified as a form of syncretism. Although the word ‘syncretism’ is notoriously imprecise, Robert Baird has concluded

<sup>12</sup> Ogyu Sorai, *Seidan*, Nihon shiso taikei 36, Tokyo: Iwanami shoten, 1973, 333.

<sup>13</sup> *Ibid.*, 337.

<sup>14</sup> For the discussion of intellectual milieu of Tokugawa merchants in detail see Jan Sýkora, “The Development of Economic Society in Early Modern Japan and the Origin of Economic Thought of Tokugawa Merchants”, *Acta Universitatis Carolinae – Philologica 1, Orientalia Pragensia XIV* (2002): 219–232.

<sup>15</sup> The detailed study on the economic aspect of Baigan’s *shingaku* is Takenaka Yasukazu, *Sekimon shingaku no keizai shiso*, Tokyo: Minerva shobo, 1978.



in his book *Category Formation and the History of Religion* that “the only meaningful use of the term syncretism is to describe a situation in which conflicting ideas or practices are brought together into a new complex which is devoid of coherence”<sup>16</sup>. Thus, *shingaku* openness to different religious elements was shaped by a fundamental premise: human beings can reach moral perfection by experiencing the true nature of the mind. That is the reason why the *shingaku* ethical system was remarkably well adapted to the intellectual and emotional needs of Tokugawa merchants who tried to find a new base from which to engage with the new social order. Baigan’s *shingaku* offered them a path of enlightenment paved by meditation, self-restraint, or secular asceticism, and devotion to one’s everyday tasks.

Baigan was not proposing any radical alteration to the Tokugawa status system, but he merely attempted to ensure for the merchant class an honourable place within that order. As he wrote in his dialogues *Toi mondo* (Dialogue on Town and Country):

“Warriors, farmers, artisans and merchants are all of assistance in governing the nation. It would not do for any one class to be missing. ... The samurai are vassals who possess a high rank. The farmers are vassals of the fields, and the merchants and artisans are the vassals of the town. ... The artisans receive their stipend through the wages that are paid in return for their work. The farmers receive profit from cultivation, and this, too, is just like the stipend received by the samurai. Without the productive work of all people, the nation could not stand. The merchant’s profit is also like the stipend allowed to officials. If one says to the merchant, ‘Your profit alone is a sign of greed, and therefore a deviation from the right path’, one is hating the merchant and wishing for his destruction. Why should the merchant alone be detested as an inferior being?”<sup>17</sup>

The American historian Robert Bellah has argued that Baigan’s ethical system contributed to the emergence within Japan of a religious environment which – like European Protestantism – was exceptionally conducive to modernization and rationalization.<sup>18</sup> This view raises the problem of how much philosophies like those of Ishida Baigan were causes of, rather than responses to, the rise of the monetarized market economy<sup>19</sup>. For present purposes, however, it is of more importance to consider the logic by which Baigan attempted to justify the profit-making activities of the merchant class. This logic reveals some interesting parallels with the notion of enlightened self-interest which permeated the writings of European classical economists.

An important difference between the stipend of the samurai and the profit of the merchant is the fact that, while the one is fixed by law or custom, the other varies according to market circumstances and the will of the merchant. On the other hand, Baigan’s ethical system does not offer a justification for boundless and unmitigated profiteering but rather for profit based on honesty (*shojiki*).

<sup>16</sup> Robert Baird, *Category Formation and the History of Religion*, The Hague: Mouton, 1971, 151.

<sup>17</sup> Ishida Baigan, *Toi mondo*, Nihon no meicho, Vol. 18, Tokyo: Chuo koronsha, 1972, 226.

<sup>18</sup> Robert Bellah, *Tokugawa Religion: The Cultural Roots of Modern Japan*, New York: Free Press, 1985. The same methodology applied to the religious ethics of merchant class in early modern China can be found in Yu Yin-shih, *Chugoku kinsei no shukyo ronri to shonin seishin*. Japanese translation of *Zhongguo jinshi zongjiao lunli yu shangren jingshen* by Mori Noriko, Tokyo: Heibonsha, 1991.

<sup>19</sup> For the criticism of Bellah’s methodological approach, see Maruyama Masao, “Bera no ‘Tokugawa jidai no shukyo’”, *Kokka gakkai zasshi* 72 (1958), 427–458.

“Merchants keep careful day-to-day accounts, and therefore regard every zeni as being important. The Way of the Merchant is to amass zeni until they accumulate wealth. ... The people’s mind is like our mind. If we are sparing every zeni, and pay attention to our buying and selling so as not to waste anything, however small, we should think that our customers will also in the first place be thrifty with their money. We should therefore provide good commodities in order to overcome this frugality. If frugality can be overcome, benefit will accrue to the people. Thus, when the wealth of the nation circulates about, all people will experience satisfaction, just as the circling of the seasons causes all things to flourish.”<sup>20</sup>

The mechanism that ensures this convergence of interests is the market, whose prices define the parameters of permissible profit.

“Goods which do not conform to the publicly determined price are at odds with the requirements of the moment. Prices should not differ [from the prevailing market price]. ... If, in spite of this, one merchant should decide to be different from others and say ‘My investment was so much, and my profit must be so much’, matters would become difficult. This is the truth. If we deny this truth, there can be no commerce. If there were no commerce, customers would face inconvenience and sellers would have no means of selling. Thus, merchants would be unable to live, and would become farmers or artisans.”<sup>21</sup>

The market mechanism, therefore, ensures that the attempt to gain dishonest profit is ultimately self-defeating, “like eating a sweet poison, from which you yourself are likely to die”<sup>22</sup>. Merchants who have experienced this kind of ‘enlightenment’ (*satori*), on the contrary, enrich the entire society while pursuing their own legitimate profit and are therefore “the jewels of heaven and earth.”<sup>23</sup>

### **Philosophy Legitimizing Pursuit of Profit**

The last point I would like to present is the fact that the growing economic power of the merchant class was reflected not only in the beginning of a philosophy that legitimized commerce and the pursuit of profit, but even in a vision of the market as a measure of all things as in the case of Kaiho Seiryō (1755–1817). Generally speaking, Seiryō was deeply influenced by the writings of Confucian philosophers such as above-mentioned Ogyū Sorai or Dazai Shundai, but he took a rather sceptical approach to many of their economic and political ideas.

He refused particularly the traditional Confucian notion of the benevolent ruler whose enlightened government would bring peace and prosperity to the whole country. For Seiryō, the key to prosperity lies not in the wisdom and kindness of the ruler but in the hard work and initiative of the entire population. Strictly speaking, he argued that samurai should abandon their distaste for commerce and imitate the profit-making activities of the merchants. In his solution we can see how far social thought had come since the first century of Tokugawa rule.

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<sup>20</sup> Ishida Baigan, *Toi mondo*, 195–196.

<sup>21</sup> *Ibid.*, 226.

<sup>22</sup> *Ibid.*, 228.

<sup>23</sup> *Ibid.*, 196.

The most original aspect of Seiryō's economic thought is the logic which he uses to defend samurai's participation in commerce. He develops an approach which interprets all social relationships as being based on the market mechanism.

"From ancient times, the relationship between lord and retainer has been like the relationship of the market. The retainer is granted a stipend, and gives his service to his lord in return. The lord buys from the retainer, and the retainer sells to the lord. It is a market exchange, and this buying and selling is a good and not an evil thing."<sup>24</sup>

The final conclusion of this line of reasoning is the identification of the market mechanism as the *li* principle, which in Confucian thought imparts order and harmony to human society. All social relationships are based on exchange (*shiomono* in his terminology), and exchange is motivated by the desire to obtain profit. Commerce and profit-making activity therefore can be seen as vital forces regulating the natural order of all things.

"All things between heaven and earth are commodities for exchange, and it is the law of commodities that they should produce other commodities. Without exception, fields produce rice and money produces profit. It is the law of the universe that mountains produce timber, the sea produces fish and salt, and money and rice produce profit."<sup>25</sup>

In his writings the language of Confucian thought is transformed into the rationality of market exchange, and the virtue of Confucian ethics undergoes a metamorphosis to emerge as the values of a nascent capitalist economy. In this point of view, he definitely played an important role in preparing the ground for the profound changes in the economic and political structure in the second part of the 19<sup>th</sup> century.

## Conclusions

The main goal of the present paper is to summarize some reflections on the changing attitude of Tokugawa thinkers to the role of market in the society. As we have seen, Japanese thought traditionally contained no category which corresponded precisely to the 20<sup>th</sup> century notion of market economy. Nevertheless, in response to the economic changes of the past two centuries, Japanese thinkers disputed the orthodox notion of the static, rice-based economy and not only accepted the existence of money economy but also analyzed its working and debated its consequences for the social order.

So the existence of these ideas and debates within Tokugawa Japan meant that Western economic thought, as it began to be explored, appeared not as something utterly alien and incomprehensible, but as a body of knowledge containing many branches that could be related to and grafted on the existing stock of Japanese thought. The search for such a relationship is the main subject of my further studies in Tokugawa intellectual history.

Finally, I would like to conclude with a story that seems to have nothing to do with the topic of the paper. The story dates back to 1764 when Adam Smith, a professor of moral philosophy at Glasgow University, resigned his post and set off for France as a tutor of the young duke of

<sup>24</sup> Kaiho Seiryō, *Keikodan*, Nihon shiso taikci 44, Tokyo: Iwanami shoten, 1970, 222.

<sup>25</sup> *Ibid.*

Buckleuch. After 18 months of the excruciating boredom of provincial life in Toulouse he was awarded a two-month sojourn in Geneva and Paris, where he met his lifelong friend David Hume, then secretary to the British Embassy. Hume introduced Smith to the great literary salons of the French Enlightenment. There Smith met a group of social reformers and theorists headed by François Quesnay, who called themselves *les économistes*, but are frequently known as the French Physiocrats. There might be some controversy as to the precise degree of influence that the physiocrats exerted on Smith, but in my view the meeting with 71-year-old Quesnay left an ineffaceable trace on relatively young Smith who had just begun working on a new book, his best-known *Inquiry into the Nature and Causes of the Wealth of Nations*. It seems to be a less known fact that he thought sufficiently of Quesnay to have considered dedicating *The Wealth of Nations* to him. Unfortunately, the French economist died two years before its publication.

A comparative analysis of economic doctrines lies beyond the scope of the paper. The only thing I really would like to do is to emphasise the fact that not only the Western world offered a rich fund of ideas on which Japanese thinkers could draw, but, on the contrary, it was the Eastern intellectual tradition, particularly Confucianism, which had a deep influence on the development of Western thought, particularly the economic one, during the 18<sup>th</sup> century. This fact is largely ignored by both historians and even economic theorists themselves.

The French Physiocrats formulated their ideas at the time when the Western interest in Eastern culture was at its zenith and their leader François Quesnay himself was familiar with the Confucian thought inasmuch that his contemporaries flatteringly called him “the venerable Confucius of Europe”. The methodology of Quesnay’s physiocratic system, his concept of state and his principles of policy sprang from an extreme form of the doctrine of natural law. Acceptance of that doctrine led him to proclaim that *laissez-faire* in economics followed the natural law and therefore represented the divinely appointed economic order. There is no doubt that this doctrine was influenced to a certain extent by the Confucian idea of *li* (*ri* in Japanese) – the principle, or natural order, inherent in all beings and all social systems. According to this view of universe, the ideal state, for example, is the one which conforms most closely to its natural *li*. How deeply the physiocrats appreciated this concept can be judged from the words of another leading physiocrat and a close friend of Quesnay, Abbé Nicolas Baudeau:

“The single supreme will which exercises supreme power is not, strictly speaking, a human will at all. It is just the voice of nature – the will of God. The Chinese are the only people whose philosophy seems to have got hold of this supreme truth.”<sup>26</sup>

We can assume that the idea of a naturally harmonious and self-regulating order, which the ruler symbolizes but does not disturb, was conveyed via Quesnay into the economic theorizing of Adam Smith. Thus, the points of similarity that sometimes appear between the eighteenth-century economic thought in Europe and Japan are more than a pure coincidence.

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<sup>26</sup> Quoted in Charles Gide, Charles Rist, *A History of Economic Doctrines from the Time of the Physiocrats to the Present Day*, Boston, 1913, 36.

**RINKOS SAMPRATA JAPONIJOJE ANKSTYVUOJU NAUJŲJŲ AMŽIŲ LAIKOTARPIU****Jan Sýkora****S a n t r a u k a**

Straipsnyje aptariamas Tokugawas arba Edo, laikotarpio (1603–1868) Japonijos intelektualų požiūris į rinkos mechanizmą, modernėjančios Japonijos filosofų akimis žvelgiama į konfliktą tarp socialinį stabilumą propaguojančios valstybinės ideologijos ir ekonominės šalies realybės. Tradiciniame Japonijos mokslininkų žodyne nebuvo kategorijos, atitinkančios dvidešimtojo amžiaus rinkos ekonomikos sąvoką, tačiau reaguodami į ekonomikos pokyčius, to meto intelektualai pradėjo abejoti statiškos, ryžiais kaip mainų vienetu grindžiamos ekonomikos veiksmingumu, diskutavo šalies pinigų politikos klausimais, analizavo rinkos dėsnius ir stebėjo ekonomikos įtaką visuomenės sanklodai. Aštuonioliktojo amžiaus Europos ir Japonijos ekonomikos teorijos kūrėjų idėjų panašumas aiškinamas kiniškojo konfucianizmo įtaka ne tik Rytų, bet ir kai kuriems to meto Vakarų mokslininkams.

*Received 30 September 2004*