

work experience for acquisition of new or higher skills since such companies did not have personnel training programmes. Workers who were particularly keen on improving their skills made a point of frequently changing their place of work so as to benefit from wider experience. Such "drifting" was encouraged by the fact that while manual dexterity was particularly important in small companies, it was necessary to work at many different locations in order to acquire experience since those who had been with the company longer were reluctant to share their experience with newcomers. Another fact was that many young workers dreamed of eventually starting their own businesses and therefore chose employment in small companies to gain the necessary experience because it was easier to change jobs there than in large companies.

Toyoda's second paper makes the findings of the study group as a whole more readily comprehensible. He concisely outlines the history and present state of general education and technical education in Japan in connection with industrialization, making use of statistical data.

One might also note that the findings of this study group will no doubt be considered novel to Japanese scholars in view of the fact that very little historical research on vocational education has been done in this country to date, the findings of the group's first year of work, already published in book form in Japanese (Wagakuni ririkuki no jitsugyō kyōiku [A history of vocational education in Meiji Japan], ed. Toshio Toyoda, 1982), having in fact attracted considerable attention.

10. ECONOMIC POLICY

1. An overview of the fiscal and financial policy of the Meiji government -- Takafusa Nakamura
2. The policy of "fostering national wealth" -- Junji Banno
3. The initial stages of fiscal policy -- Mataji Umemura
4. The Okuma inflationist policy -- Yuzo Yamamoto
5. Debates on the land tax payment with rice -- Takenori Inoki
6. The mechanism of Matsukata fiscal policy -- Yoshimasa Muroyama
7. A macro-economic analysis of Matsukata deflation -- Juro Teranishi
8. The problem in early Meiji financial statistics -- Yuzo Yamamoto
9. Japanese economy and the international environment in the late nineteenth century -- Takafusa Nakamura
10. The industrial development policy under Matsukata deflation -- Mataji Umemura
11. The industrial development policy at the local level -- Osamu Saito
12. The indigenous textile industry in the early Meiji years -- Takeji Abe

Nakamura's first paper gives an overview of the fiscal and financial policy of the Meiji government up to the adoption of Matsukata's fiscal policy. On the basis of the quantity of money in circulation and the rate of inflation, he concludes that the economic growth which existed at the end of the shogunate period was sustained in the early Meiji. Furthermore, on the basis of the research work done by Umemura, Nakamura says that there was considerable technological progress in the early years of the nineteenth century as well as the development of agriculture and rural industry. In other words, there was gradual, self-sustained economic growth.

Then suddenly came shocks from outside, including the sharp rise in extraordinary expenditures relating to the opening of Japanese ports, which were covered by recoinage and some government revenues. However, this stimulated inflation, and the problem was handled by tripling the value of gold while leaving the value of silver unchanged. Such a policy was one of attaining an international balance of payments at the expense of the domestic balance, and these same economically disruptive factors were carried over the Meiji government.

In the process of abolishing feudal domains and establishing prefectures in their stead, the new government took over the foreign debts of former clans and the shogunate, but wrote off 80 per cent of the debts owed to rich merchants by the feudal lords.

The next step, which could not be avoided, was commutation of the feudal stipends of the samurai, which came to 50 per cent of annual government revenues. This was accomplished by floating a £2.4 million government bond overseas.

In 1873 there was a series of strong requests for the emergency hiking of army and navy appropriations, and for the promotion of industry, education, and the running of the courts. But the government was not able to grant them because of the decline in income after revision of the land tax. When Finance Minister Kaoru Inoue proposed scaling down such requests, he was forced to resign.

His successor, Shigenobu Okuma, sought to find a way out of the predicament by floating a ¥50 million government bond overseas. The government considered it too dangerous, and he too had to resign, making way for Masayoshi Matsukata and his deflationary fiscal policies.

In his paper, Banno points out that the Meiji government's policy of "increasing production and promoting industry" had already taken shape ten years earlier, in 1858, in small local clans. He also points out that the idea that increasing Japan's economic strength should take precedence over boosting its military strength was held in common by members of the government until the economic disaster of 1874. In view of the factors

standing in the way of boosting the nation's economic strength, that idea should have represented no more than an ideal of the modern state, rather than a practical policy choice.

Umemura's first paper analyses the breakdown of government revenues for the period January-June of 1875 and confirms the conclusion that the root of the evil of government finances up to that time was the practice of payment of taxes in kind, i.e., with rice.

He also points out that the rhetoric of Finance Minister Okuma's financial policy, which might better be called his budgeting policy, was indeed ingenious, making possible an actual increase of 50 per cent in government revenues in the name of currency reform, simply by adopting the monetary payment of the land tax. In other words, the policy of floating government bonds overseas was really a policy of increasing land tax revenues.

Put in a nutshell, however, Okuma's financial policy was one of dual dependence on the outside. It was aimed at both locating non-fiscal sources and foreign loans in order to recover the fiscal balance. Therein Yamamoto, in his first paper, sees the nature of Okuma's dependence on the British and his comprador character.

Inoki reviews the opinions held in the early Meiji that the system of paying taxes with rice instead of money should be reinstated. This view was held by many important political and business figures.

The basic idea behind this proposition was that by returning to the system of paying taxes by rice, the government would be able to adjust and standardize the price of rice by releasing government warehouse stocks when the price was high and buying up rice when the price was low. In this way it would be able to dampen inflation.

Comparing this idea with the retrenchment policy of Inoue and the other extreme represented by Okuma's foreign bond flotation, Inoki concludes that it would indeed have been effective in coping with inflation and other economic difficulties of that time.

In those days taxes were paid only during the period from late autumn through spring. Since government expenditures could not be postponed, the system forced the government to borrow over ¥10 million temporarily each year. That meant the advance issue of non-convertible money which accounted for a full one-third of the entire state budget after 1880. The tax hike and reduction in government expenses that Matsukata carried out in 1881 took place along with adjusting the fiscal system to coincide with the time tax revenues were received.

That did away with speculation in rice and resulted in a sharp decline in the price of rice. As Muroyama points out, this meant the realization of

the transfer of income from farmers who had become rich on the basis of the previous inflationary policy, as well as the establishment of the beginnings of Japan's modern system of government finance.

In his paper, Teranishi compares the fiscal surpluses of the Okuma and Matsukata periods, and points out that the Matsukata deflation coincided with the collapse of a speculative boom in the business cycle. He ascertained that the fiscal surplus was about the same in both the Okuma and Matsukata periods, and he concluded that what is considered to have been a policy of retrenchment was in fact one in which much of the fiscal burden was imposed on local governments.

He feels that when Matsukata's fiscal policy began to be implemented, the business cycle had already entered its downward phase in an unprecedentedly strong reaction to the preceding speculative boom. That being the case, he reaches the explicit conclusion that Matsukata should not have adopted a policy of retrenchment and that he should instead have adopted a policy of deficit spending in order to stimulate a business recovery.

Yamamoto, in his second paper, casts doubt on the reliability of the government statement of accounts for eight accounting periods over the years 1867-1875. He points out that payments for foreign debts were underestimated and that 4 to 5 per cent of the budgetary statistics represented erroneous amounts.

In his second paper, Nakamura compares the Japanese economy with the world economy during the last thirty years of the nineteenth century, pointing out that at the time of the Matsukata deflation, price fluctuation in Japan was already linked to world price fluctuation in the world business cycle, and that a distinctive type of growth was in evidence.

He goes on to say that Japan, which joined the gold standard twenty years after its adoption by the major powers, experienced growth with inflation apart from the major powers, which were experiencing a deflationary trend. This illustrates one aspect of the distinctiveness of Japan's economic growth and industrialization.

During 1885-1887 prices in Japan bottomed out and began to recover, and at the same time the exchange rate dropped in line with the fall in the price of silver. That was also the time of the first "boom of new companies." Nakamura says that such a boom was due to the growth in exports and was supported by good business conditions abroad and the low exchange value of the yen, and that whereas agricultural production had led industrial production before the period of the Matsukata financial policy, the two were comparable since they both continued their growth thereafter.

In his second paper, Umemura focuses attention on the conflict between the proponents of various policies within the government. The Ministry of Agriculture and Commerce faction considered itself to be the legitimate successors to Okubo's industrial-étatisme, but its members did not rank very high politically. The radicals among them, including Masana Maeda, went too far in expressing their opposition to government policy and ruined their careers in spite of the merit that they had previously earned.

In his paper, Saito re-examines the view that Okubo and Okuma, placing greater importance than previously on the suppression of imports, switched from a policy of government-run enterprises to one of emphasizing the role of traditional industry in order to improve Japan's balance of payments. His conclusion is that the central government was able to do surprisingly little in the way of promoting industry, the role of prefectural governments in this respect having been more important. He also points out that Matsukata's financial policies marked the turning point toward the collapse of this pattern.

Abe, in his paper, discusses the changes in traditional Japanese industry centring on cotton textiles in the period up to the end of the nineteenth century. He examines three categories: (1) the textile industry that revived, (2) the textile industry that declined, and (3) the textile industry that grew.

For example, the Sennan area of Osaka prefecture, which had long been a textile production area, came to overshadow other more advanced areas after beginning to use imported yarn for the warp of cotton textiles around 1875 and the invention of an improved batten. However, this development resulted in inferior quality production and a serious recession. At that point local wholesale dealers stepped into the picture, managing to achieve a change in products and a revival of the industry. An example of the type of textile industry that declined is the processing industry of the Niikawa area of Toyama Prefecture, which did not grow cotton itself and which could not compete with modern spinning mills. All of the types of textile industries that declined had two things in common: (1) a lack of concern about new technology and (2) the production of white cotton cloth. The type of cotton textile industry which grew was that in areas which introduced machinery early and switched from white cotton cloth to striped cotton cloth. Many of them underwent considerable growth in the Meiji and subsequent years, continuing to grow even during the Matsukata deflation period by expanding their markets in the eastern and northern regions.