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# GOVERNMENT INDUSTRIES IN THE EARLY YEARS OF THE MEIJI ERA

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In a treatise published in one of the recent issues of this publication,\* I discussed the economic policies pursued by the Government through the medium of the *Tsūshōshi* in the years immediately following the Meiji Restoration, and in the course of these observations I made the following statement: "The above-mentioned economic policy of the *Tsūshōshi*, though an economic policy in name, had to concern itself chiefly with commerce and monetary circulation, in conformity with the economic conditions prevailing in this country at the time. Such a policy hardly sufficed to enable the country to face foreign capitalism successfully, while, on the other hand, the Government could not afford to await the natural development of modern industrial capitalism in Japan without doing anything to help it forward. It, therefore, launched a series of measures for industrial development, including the establishment of model factories." The present work concerns itself primarily with various industrial enterprises pursued by the Government, particularly the operation of model factories which constituted the bulk of the aforementioned government measures for industrial development.

## I. THE SCOPE OF GOVERNMENT INDUSTRIES

The industrial enterprises carried on by the Government during the early years of Meiji comprised many undertakings taken over from the central and local feudal governments. In the mining enterprises, for example, it is found that the Government acquired the Ikuno silver mines and the Sado gold mines from the former Tokugawa Government, the Kosaka and Innai silver mines, the Ōkuzu and Mayama gold mines, the Kamaishi iron mines, the Takashima and Miike coal mines and other similar enterprises from the various clan governments. In addition to these there were a number of mining enterprises (like the Nakakosaka silver mines)

\* "The Economic Significance of the Meiji Restoration." Kyoto Univ. Economic Review, Vol. XII. No. 2.

which were expropriated from private owners, and others (like the Shimane copper mines) which were newly opened by the Government. These latter, however, proved to be of minor importance in comparison with the first mentioned group of mining enterprises. In the industrial field, the dockyards at Yokosuka, Yokohama and Nagasaki were taken over from the Tokugawa Government, while Hyōgo Dockyard (the antecedent of the present Kawasaki Dockyard) was an enterprise in which the Kanazawa clan had a controlling interest. The Sakai Cotton Mill was purchased from the Kagoshima clan, while the Akabane Manufacturing Plant operated for the production of various types of machines was established with machinery provided chiefly by the Saga clan.

Thus in the early years of the new régime, the government enterprises consisted mainly of industries which had been acquired from various feudal governments. However, since it was considered necessary to expedite the development of new industries, the Government found it inadvisable to confine its industrial activities to these fields, and accordingly it undertook the organization of many new enterprises. As in the case of mining, the Government also inaugurated many new undertakings in the field of manufacture. These newly inaugurated enterprises comprised such organizations as the Yarn Manufacturing Plant of the *Kōbushō* (1873), the Fukagawa Cement Factory (1875), the Shinagawa Glass Factory (1876), the Fukagawa Fire-Brick Manufactory (1877), the Tomioka Yarn Factory (1872), the Shimmachi Silk Yarn Mill (1875), the Senjū Woollen Manufactory (1876), the Aichi Cotton Spinning Mill (1878), the Hiroshima Cotton Spinning Mill (1878), etc.

Attempts were also made by the Government to promote agricultural and cattle-raising projects by establishing in 1872 the Naitōshinjuku Experimental Station which conducted general experimental work in seedlings and in cattle breeding from imported stock, and also in connection with agricultural implements. In addition, the Government established the

Torika Stock Nursery, the Shimoosa Sheep Pasture, the Mita Stock Farm, etc., all of which were devoted to the distribution of superior stock and seedlings or the development of sheep pasturage. It also attempted to introduce Western agricultural tools and implements by establishing the Mita Manufactory of Agricultural Implements which engaged in the study, manufacture and sale of foreign farm supplies. Railroad and telegraphic services may also be included among the new government enterprises commenced during the period under review.

It can be seen from the foregoing survey that government activity in industry in these early years of Meiji was concerned chiefly with the operation and expansion of enterprises that had been taken over from the central and local feudal governments of the Tokugawa period. It was principally for military, political, and financial ends that many feudal governments had taken mining enterprises into their own hands. Their adoption of occidental types of industry towards the end of the Tokugawa period was prompted chiefly by their military requirements and only in a secondary sense by their financial needs. It was by no means anticipated that these projects would stimulate the rise of private industries. Nor did the new Government itself operate these enterprises for other purposes at this early stage. However, because of the growing need for the general industrialization of the country, the Government gradually altered its policy of industrial operation, subsequently managing these enterprises primarily for the purpose of stimulating a general industrial expansion. The next chapter deals with these changes which took place in the government policies of industrial management.

## II. THE CHARACTERISTICS OF GOVERNMENT INDUSTRIES

It is beyond dispute that the government policy for industrial development was determined to a certain extent by

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the desire to establish model factories as a means of promoting general industrial activity. Some students go so far as to state that even the government railways were operated as models for such types of enterprises. According to the documentary evidences derived from government sources, the principal functions of the Department of Civil Affairs (*Mimbushō*—民部省), which was in charge of the state-owned industries at the very beginning, consisted of the preservation of peace and order and the promotion of private industries with the purpose of increasing national wealth. The Department of Industrial Affairs (*Kōbushō*—工部省), which was established in October, 1870 and which subsequently took over from the Department of Civil Affairs the management of the major portion of these government industries, had assigned to it as its principal function the promotion of national prosperity by developing industrial enterprises. It can be inferred from the official duties of these two government offices that the purpose of the government enterprises was to provide examples of Western modes of industrial operation for the benefit of private entrepreneurs. It is noted also that in his memorandum submitted in 1883 to the *Dajōkan* (太政官—Administrative Council), Takayuki Sasaki, the then Minister of Industrial Affairs, stated in part that "the principal aim of the Department of Industrial Affairs lies in the encouragement of Western style industries among the people and not in industrial operations for mercenary ends." This evidence seems to show that the government industries were operated from the very beginning primarily as model enterprises, and that prior to the establishment of the Department of Home Affairs (*Naimushō*—内務省) in November, 1873, the Department of Industrial Affairs was the central government agency for moulding industrial policies.

The question may be raised, however, as to whether the reality was in conformity with these industrial policies of the Government. In studying the scope of the government industries placed under the control of the Department of Industrial Affairs, it can be observed that they covered a

very wide range of activities such as mining, railroads, telegraphic service, manufacturing industries, etc. Furthermore, the motives prompting the Government to take over their ownership were varied. Some enterprises were taken over for the purpose of preventing unemployment among miners (e. g., the Ikuno mines), others for the exclusion of foreign capital (as in the case of the Takashima coal mines) and still others for the removal of friction among private entrepreneurs. Nevertheless, it is apparent that the ultimate and common object for which these mines were placed under the immediate management of the Government was the utilization of their products for diverse government activities. For the Government minted coins, and operated various industries such as shipbuilding, railroads, steel manufacturing, and therefore found it convenient to acquire their raw materials and auxiliary supplies with the least possible difficulty. As a matter of fact, the Government employed many foreign engineers and foreign mining technique for the operation of these mines and in this respect they had an appearance of model enterprises. Yet it must be admitted that this aspect of the enterprises was of only secondary importance. In the field of railway operations, the main object of construction was the breaking down of the geographical barriers that existed in the feudal communities which hindered the centralization of authority. It was primarily for this same purpose that the telegraphic service was put into operation under a policy, enunciated as early as 1872, which ruled that this enterprise should always remain under government ownership.

It is apparent, therefore, that the Government placed these mining, railway and telegraphic enterprises under its direct management mainly for political and military ends, there being practically no intention of operating them as model enterprises. As for the mining industry, in particular, there was scarcely any departure from the policies and methods of operation followed by feudal governments in previous years.

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The Department of Industrial Affairs took over from the Department of Civil Affairs many industrial enterprises, the Sakai Cotton Mill and the Tomioka Yarn Factory being exceptions in this regard. Most of these factories having been transferred to the Government from the central and local governments of the feudal age, were operated chiefly to meet military and political needs. In this respect, they resembled the Ōsaka and Tōkyō Arsenals of the Army Department, the Ishikawajima Dockyard of the Navy Department, and the Mint, which was operated by the Finance Department. As a matter of fact, the Yokohama and Yokosuka Dockyards were transferred to the Navy Department in 1872 and the Akabane Manufacturing Plant was also transferred to the Munition Bureau of that department in 1883. Among the enterprises inaugurated by the Department of Industrial Affairs, the Fukagawa Cement Factory and the Fukagawa Fire-Brick Factory produced primarily to meet Government requirements. It is of course undeniable that most of these factories possessed some of the elements of model enterprises or endeavoured to some extent to promote industrial expansion. Particularly noteworthy is the case of the Akabane Manufacturing Plant which produced a set of cotton spinning machines and various types of manufacturing machines, and the Government's cement and fire-brick factories which were regarded as models for similar private undertakings. The Yarn Manufacturing Plant of the *Kōbushō* and the Shinagawa Glass Factory were also established as model enterprises.

In short, the bulk of the industrial undertakings supervised by the Department of Industrial Affairs consisted of enterprises taken over from the feudal governments and operated principally for military and political ends and only incidentally to meet the financial requirements of the Government. Nevertheless, many of them possessed the features of model factories to some degree and several of them were brought into existence primarily to provide examples for private entrepreneurs. While it is undeniable that all of

these undertakings contributed to a greater or less degree to the promotion of capitalistic enterprises, in general the Government did not expect from these nationalized enterprises much more than the obvious financial, military, or other direct advantages resulting from their operation.

In contrast to these enterprises operated by the Department of Industrial Affairs, those managed by the Department of Home Affairs were designed primarily to stimulate the development of private industrial undertakings. Established in November, 1873, this latter Department took over from the Department of Finance the Sakai Cotton Mill and the Tomioka Yarn Factory, and subsequently established the Shimmachi Silk Yarn Mill, the Senjū Woollen Manufactory, the Aichi Cotton Spinning Mill, the Hiroshima Cotton Spinning Mill, the Mita Factory for Agricultural Implements, the Mita Stock Farm, the Shimoosa Sheep Pasture, etc.

During these years the Department was administered by Toshimichi Ōkubo (大久保利通), who provided vigorous leadership in the execution of economic measures in the early years of Meiji. He felt keenly the need of government leadership and encouragement in securing development of new industries and actively carried out his opinions in practice, with the result that he is often compared by Japanese students with Colbert, the famous French mercantilist. He was a *samurai* of the Kagoshima clan, which was one of the most active in transplanting Western industries to Japanese soil. On the occasion of his visit in 1869 to the Kagoshima Cotton Mill operated by his clan government, he became so deeply impressed by the efficiency of machine production that he considered it a pressing need of his country to develop mechanised industries. He became an even more enthusiastic advocate of machine industry after his trip to Western countries in the years 1871 to 1873, through which he acquired an intimate knowledge of industrial activities abroad. Subsequent to his return to Japan in 1873, he established the Department of Home Affairs to which he transferred from the Finance Department the Sakai Cotton



Mill, the Tomioka Yarn Factory, and a few other enterprises which he had previously supervised as Minister of Finance. Furthermore, he established several new manufacturing and agricultural enterprises calculated to serve as models for private industries.

As must be apparent from the foregoing survey, there were some differences in the nature of the enterprises operated by the Home Department as compared with those under the Department of Industry. Attention should be called in this connection to the fact that these differences were coincident to the differences in the time element. In my opinion, it was only after 1873 (the sixth year of Meiji) that the government enterprises began to show a definite tendency to establish model factories calculated to stimulate industrial expansion. It was the year in which the Home Department was first organized, and the date at which the Department of Industry began to inaugurate most of those enterprises which were designed to encourage private undertakings. What then is the significance of the change in the nature of the government enterprises that appeared at that particular period?

The first factor that contributed to this transition was the unification of the country in the guise of a modern State by the abolition of the feudal system of government in 1871, and by the systematic division of the country into administrative prefectures. As a result of the completion of this political organization, the Government was free to devote its efforts to the development of its industrial policy. In looking over the period of radical changes and transitional stages that followed the Meiji Restoration, one finds that Japan was able to meet this emergency by obtaining a supply of the necessary personnel and goods from foreign countries. But she was not yet in a position to produce a sufficiently large quantity of goods for export in payment for the services and goods thus provided. Consequently, all payments had to be made out of the country's scanty holdings of gold and silver, with the result that there developed an adverse

balance of trade and some instability in the monetary system, which in turn brought about a sharp advance in commodity prices and a drain upon financial capital. Left to take their natural course these tendencies were extremely likely to bring the country face to face with another crisis of political chaos and financial collapse. Such a precarious state of affairs was not peculiar to the 1873 period for a similar condition had prevailed at an earlier date. However, in the former crisis the Government had been compelled to center all its efforts upon the achievement of political unity and social stability, and was thus deprived of any opportunity to pursue its policy of national industrialization. It was only after the achievement of political unification in 1871 that the Government, under the able leadership of Ōkubo, found it possible to direct its efforts to the establishment of model factories for industrial and agricultural enterprises through the medium of the newly organized Department of Home Affairs and the Department of Industrial Affairs. It was declared explicitly that the purpose that the Home Department had in mind in establishing these new enterprises was the realization of a favourable balance of trade and the prevention of the flight of gold from the country. This statement clearly indicates the progress that had already been achieved during these early years by the government industries in their qualitative aspect.

The second factor contributing to the change in government industrial policies was the need of giving employment to many *samurai* who had been deprived of their occupation by the abolition of clan governments in 1871. While they were granted allowances for several years subsequent to the political reformation, it was feared by the Government that they might eventually turn into idlers. Even in the years before the abolition of clan government, efforts had been made by the new Government to encourage *samurai* of the lower grade to seek employment in some industrial, agricultural or commercial enterprise. With the completion of political reorganization, and particularly after the year 1873,

the Government made determined efforts to enact various measures which would enable the *samurai* to participate generally in productive enterprises. 1873 was the year in which the dispute on the question of the invasion of Korea divided the Administration into two opposite camps, one being led by Takamori Saigō who advocated a war against Korea in order to bring relief to the *samurai* class, and the other, headed by Toshimichi Ōkubo, supporting the policy of industrial expansion with the same object. In consequence of the defeat of the former faction, the Government instituted a policy of industrial expansion, building many new model factories partly for the purpose of educating the *samurai* and encouraging them to participate in productive industries.

As noted in the foregoing discussion, government undertakings inaugurated before 1873 were operated largely for military and political reasons, while those established thereafter were designed as model industries calculated to stimulate industrial development. It should be pointed out, however, that all the government enterprises were invariably operated to some extent at any rate, as a means of increasing the government revenue. During these years the Government issued a number of bonds in order to raise the funds necessary for carrying out various measures in connection with the abolition of clan governments and the creation of prefectures, and for advancing to the *samurai* the funds which they required before embarking upon business enterprises. The Government also issued new currency notes as a means of raising funds. In consequence of these measures the Government soon faced the pressing need of consolidating its financial position. It was precisely for this reason that the revision of the land tax was undertaken in 1873. In the face of dire necessity, the Government was compelled to mobilize its industrial enterprises for fiscal ends despite the fact that they were brought into being to fulfil a far-sighted scheme for prompting industrial expansion. Accordingly, all these enterprises were utilized by the Government as means of increasing its revenues.

One of the most convenient methods of determining the nature of government enterprises is to analyze them in connection with the Reserve Account (the *Jumbikin*—準備金). The latter was a special account created in 1869 for the liquidation of government notes and debentures by accumulating such miscellaneous revenues as the sales proceeds of discarded articles, etc. After the revision of the rules governing its operation in June, 1873, these funds were made loanable against payment of interest. These loans were roughly classified under three categories, namely, loans to government industries, temporary advances to other offices, and loans of funds for inaugurating private industrial enterprises. The loans of the first category, which are the most important for the present discussion, were extended to practically all the government industrial enterprises, the total amount available before the abolition of the loan funds in June, 1880, reaching a sum of some 13,810,000 *yen*.

It was most likely that in supervising these enterprises, both the Department of Home Affairs and the Department of Industry expected to realize returns. If they did, they were disappointed. By March, 1890, when this special account was closed, these loans were liquidated at 7,874,000 *yen* (or about 57% of the total disbursed in loans), the remainder being charged to the regular account. This failure of the Government to operate these enterprises on an earning basis was one of the principal reasons for their subsequent abandonment, a point which will be discussed in the following chapter. At any rate, it is an interesting fact that while these enterprises developed in line with the policy of industrial expansion, they ultimately came to be operated for profit-making ends.

In summarizing the foregoing discussion, it may be stated that the various industrial enterprises of the Government were characterized in their early stages by military and political objectives, to which was subsequently added a new element of response to industrial needs which was to become increasingly predominant after 1873. The purpose

underlying this latter policy was the prevention of the outflow of gold by obtaining a more favourable balance of foreign trade, securing at the same time the benefits derived from these industrial activities for the members of the peerage (mostly former feudal lords) and for the *samurai* class. In addition, the Government attempted to operate these enterprises for fiscal ends, namely, for the production of profits against the use of reserve funds, as a means of improving the government's financial position. Thus analyzed, the government policy in the operation of these enterprises exhibits no essential difference from the ends pursued by the feudal governments, for these military, political and financial aspects of the government industries were embodied in the policies of the old régime as well. There is, however, one essential point in which the policy of the new Government differed from that of the old. This will be discussed in the fourth chapter. The next chapter will deal with the circumstances which led the Government to abandon its policy of operating industrial enterprises under its immediate control.

### III. THE ABANDONMENT OF GOVERNMENT-CONTROLLED INDUSTRIES

Despite its strenuous efforts in the earlier years to operate various industries, the Government announced in November, 1880 to the various departments and to the Colonization Bureau in the Hokkaido, the newly enacted Government Factory Disposition Law with the following preamble: "Various factories established by the Government for the purpose of encouraging private industries having served their original purposes by achieving satisfactory progress, should now be relinquished to private ownership. Accordingly each department including the Colonization Bureau is hereby requested to dispose gradually of the factories under its control or supervision." With the exception of those enterprises that claimed military importance, the

government-owned factories and mines were thus transferred gradually to private ownership. This change in the government policy of industrial operation is explained from three different points of view, which are briefly discussed below.

The first theory explains the change as follows: "With the return of peace after the *Saigō* Rebellion in 1877, various new systems and projects adopted after Western models steadily established themselves, providing eventually for the rise of private enterprises. Under these circumstances, however, the model factories of the Government by no means lost their importance; on the contrary, they began to interfere seriously with the development of private undertakings, thereby compelling the Government to forego their continued operation." This theory interprets the Government's announcement in connection with the Factory Disposition Law previously mentioned in a literal sense.

The second theory explains the change from a fiscal point of view, the following being the theory advanced by Mr. Kamekichi Takahashi: "The causes that led the Government to abandon its policy of industrial operation and of paternalistic industrial protectionism were essentially financial. In so far as the initial purpose of producing returns for Government investment is concerned, these enterprises proved futile often causing substantial losses to the State. Moreover, this paternalistic protectionism was accompanied by no small amount of favouritism. For these two reasons, the public began to demand a *laissez-faire* industrial policy as a corollary of the popular movement for the establishment of a National Assembly." This explanation is based upon a statement made by Prince Matsukata, who was then in charge of the nation's financial affairs, and was therefore concerned with the disposition of government enterprises.

The third theory is one which is advanced by a certain group of Marxian students in this country, their argument being somewhat as follows; "The significance of this industrial reorganization lies in the fact that the Government, in its attempt to place under more centralized control its

key industries or industries of military importance, which supplied the foundation of its existence, gradually transferred some of its model industries of minor importance to private entrepreneurs. In so doing, however, the Government relinquished even some of the industries of military or major importance to large capitalistic interests at low prices, with the purpose of winning the support of the upper class bourgeois and of placing the entire industrial system under a more flexible control." This theory is based on the assumption that the Meiji Government came into existence primarily as a military and bourgeois authority.

Of these three theories the first is entirely untenable since during the years under consideration private industries had not yet reached a state of sufficient maturity to enable them to dispense with model factories or to compete with government-owned enterprises. The third theory, on the other hand, while perhaps correct in its conclusion, lays undue emphasis upon the consequences. It fails to explain, first of all, why the "military and bourgeois government"—which is alleged to have disposed of minor factories to private capitalists in its effort to place key industries under more dominant control—had endeavoured tirelessly to operate less fundamental industries until the promulgation of the Factory Disposition Law. In the second place, while it is true that the Government placed itself in more intimate contact with large bourgeois interests by transferring its industrial enterprises to the latter, such transfer or loan of government factories (in some cases government factories were loaned to private interests as a preliminary step to eventual disposal) did not take place until the period 1882 to 1896, the majority of transfers taking place in 1885-1886, when a fever for new enterprises swept the country in consequence of a successful adjustment of the paper currency problem. This makes it most doubtful whether the Government really harboured the intention of seeking the co-operation of large capitalistic interests at the time of its preparation of the Factory Disposition Law. Even granted that such

was the intention of the Government, the theory still fails to explain why it did not wait to dispose of its enterprises until after the stabilization of the monetary system which was certain to stimulate the enthusiasm for new undertakings on the part of the public.

I am inclined to support the second theory in view of the fact that during these years the Government was absorbed in the consolidation of its financial position mainly by solving its paper currency problem. Financially speaking, therefore, the government-owned industries were expected to play a part in augmenting public revenues. In so far as its industrial policies were concerned, however, the Administration could not possibly discontinue these enterprises just because they failed to bring satisfactory returns. Although the only alternative seemed to be the transfer of these factories to private operation, there were no private entrepreneurs who would volunteer to take over their ownership for continued operation. Such was the dilemma which the Government was compelled to face. In other words, the Government was face to face with the inconsistency of maintaining two conflicting industrial policies, namely, the policy of profit-making and the policy of encouraging private enterprises; and the effort to turn over its industries to private interests as the only possible solution proved to be futile. This state of affairs was fully described in the report submitted by the Department of Industrial Affairs to the *Dajōkan* in 1882.

Another reason that prompted the Government to abandon its enterprises was the desire to increase its gold holdings. In those years the work of adjusting the paper currency problem was making very tardy progress, but the plan for the liquidation of government notes had already been adopted, calling for an increase of taxes and economy in government expenditure as a means of increasing the specie on hand. The transfer of government enterprises was one of the plans adopted for that same end. In short the removal of the fiscal burden by disposing of unprofitable



undertakings and the application of their proceeds to a partial redemption of inconvertible notes were the principal considerations that induced the Government to abandon its former industrial policies.

In his enumeration of the fiscal reasons that compelled the Government to dispose of its industrial undertakings, Mr. Takahashi includes the evils that resulted from the favouritism accompanying the paternalistic protectionism exercised by the Government. These evils, however, were discovered to inhere not so much in the government industries themselves as in those private enterprises which enjoyed loans from the Reserve Account. Moreover, this phase of the situation is less important for the present discussion than the pressure of the popular movement for the establishment of a National Assembly which was felt by the Government to have a bearing upon its industrial policies. The liberal movement which made its appearance about 1883 reached its climax in 1879-80. The prime movers in this political agitation were the members of the *samurai* class who were discontented with various changes and innovations introduced by the Government in the political system and in the social order generally. Having witnessed the failure of the *Saigo* Rebellion, they were conscious of the futility of armed conflict with the Government, and they accordingly sought to dominate the Administration through political channels, launching a movement to demand political participation through parliamentary representation. To mitigate this movement and to pacify the discontent of the agitators was one of the major tasks of the Administration at that time. It was during this period that the Government made desperate efforts to provide the *samurai* with wider opportunities and to encourage a further participation in industrial activities. It was partly with the same object in mind that in 1878 the Government issued industrial bonds and invested the funds accruing in many new enterprises such as reclamation, railroad construction, the erection of cotton mills, etc. These facts clearly show that the Govern-

ment's intention in disposing of its industrial enterprises was to transfer them to the *samurai*.

The above-mentioned contention may be further substantiated by recalling the government policy of issuing hereditary pension bonds to be granted to the members of the peerage (mostly former feudal lords) and to the *samurai* class, in place of fixed stipends, the granting of which had been suspended. The issuance of these bonds was authorized by the Act of 1876 and the flotation was commenced in the following year. With these bonds in lieu of capital, the Government allowed the beneficiaries to establish national banks. When further grants of charters to national banks were suspended in 1879, however, the Government was obliged to turn to other sources of investment such as railroads and marine insurance enterprises on behalf of its beneficiaries. Thus the Tōkyō Marine Insurance Company, established in 1879, and the Japan Railway Company, established in 1881, were organized with the major portion of their capital subscribed by members of the nobility. Both of these enterprises enjoyed certain special privileges and protection accorded them by the Government. The government industrial enterprises under review were generally regarded as important investments, and their transfer to private owners was prompted largely by the desire to provide investment opportunities to private capitalists, particularly to members of the nobility and of the *samurai* class.

Some of the more enterprising members of these privileged classes subsequently emerged into the business world as capitalist financiers to whom the Administration offered direct and indirect aid in various forms. It is an undeniable fact, therefore, that from the very beginning there existed a most intimate relation between the Government and these capitalists, the nature of which requires careful consideration. It has been pointed out that some Marxian students characterize this relation as a voluntary alliance of authority with capitalistic interests. As against this interpretation, I contend that this relationship was nothing more than the

Government's effort to provide tutelage to inexperienced capitalists. The promotion of capitalistic economy was a part of the established policy of the Meiji Government, in pursuance of which members of the privileged classes were to be given a part in productive industries. Furthermore, the capitalists of those days were not yet in possession of sufficient power to dominate government policy. Hence it is absurd to ascribe the above-mentioned change in the government policies to any active designs on the part of the capitalists themselves.

In summarizing the foregoing discussion, it may be stated that the chief factors which compelled the Government to abandon its policy of industrial ownership were the financial difficulties under which it laboured in those early days. It was a natural outcome of this situation, therefore, that these enterprises should be operated after 1873 chiefly for revenue purposes. In other words, the change in government policy was due to the increasing burden upon government finance due to the failure of these enterprises to provide the expected increment to the Reserve Account. Another reason that led the Government to make this move was its desire to provide nobles and *samurai* with appropriate investments. Finally, the rise of the liberalist movement may be said to have expedited the Government's relinquishment of its industrial enterprises.

#### IV. THE SIGNIFICANCE OF GOVERNMENT INDUSTRIES

In the early years of Meiji the Government followed in the footsteps of the feudal governments in the management of its industrial enterprises, carrying them on with much the same scope and methods as had been customary in the previous period. Many of these enterprises represented new undertakings upon which clan governments had embarked towards the end of the feudal period. The policies under which these industries were operated were dominated by

military and political considerations coupled with a certain effort to satisfy fiscal requirements. But there was practically no intention on the part of the Government to utilize these enterprises as means of stimulating industrial expansion per se. After the Restoration, however, they were no longer allowed to remain in their former status, acquiring steadily thereafter the characteristics of model factories designed to promote the general industrial development of the country. As a consequence, these characteristics tended to become more dominant in shaping the Government's industrial policies. This transition was prompted partly by the necessity of developing capitalistic economy within the country in order to avoid the danger of colonization by imperialistic powers, and partly by the need of finding employment for former feudal lords and *samurai* who had been deprived of their occupation in consequence of the reorganization of the country on the lines of a modern State.

To promote the industrial expansion of the country, therefore, the Government has undertaken various projects since the establishment of the *Tsūshōshi* in 1869, such as the measures to enhance the economic status of the masses, the encouragement of corporate enterprises, the establishment of exchange companies and other trading organizations. These measures which were necessarily confined to the commercial and financial fields, were in themselves hardly sufficient to compete with the encroachments of foreign capitalism. It was under these circumstances that the new industrial policy was put into active operation. Under this new policy the government industries were designed in part to educate private entrepreneurs by introducing new techniques of production and management. This new development was a natural consequence of the Restoration, which, as a democratic revolution, included in its general program the economic welfare of the common people.

As for the second factor, namely, the necessity of giving the *samurai* employment in productive industries, one can readily realize that the need which had been felt ever since

the first stage of the Restoration, would become even more pressing after the abolition of clan governments. It was after this political reorganization, therefore, that the government industries began to acquire the characteristics of model industries. The training of the *samurai* as active participants in productive industries was conducted as a part of the program for the improvement of the economic position of the common people. In view of the fact that the political leaders of that period took occasion to praise the *samurai* for their enterprise and aggressiveness, it is clear that the Government anticipated the successful outcome of their efforts.

Despite the institution of this new industrial policy, however, the difficulties in financial management involved compelled the Government to operate these enterprises not only for military, political and industrial ends, but also as profit-earning undertakings. It would perhaps be more correct to say that as a result of financial difficulties, the Government began to regard the state-owned industries as a means of bringing in returns for the investment of reserve funds. According to Prince Matsukata, the government policy for the operation of these industries was an attempt to kill two birds with one stone, namely, to encourage the development of private industries and to secure government revenues in the form of operating profits. These government policies, therefore, differed but little from those adopted by the clan governments which expected to improve their financial position by the operation of industrial enterprises. In one respect, however, the policy of the new Government showed a marked divergence from the policies of the old régime. This was a conspicuous absence under the new Government of any attempts to operate its industries in competition with private undertakings.

In discussing the various features of the government-owned industries, one can find two important elements which pertain to the formative processes of a capitalistic economy. One of them is the rôle played by the government industries as model enterprises calculated to promote industrial expan-

sion, while the other is their fiscal function as profit-earning undertakings. These two aspects, however, were seen to be entirely incompatible. One or other of these features would have to be discarded sooner or later. But for the Government that had emerged from a democratic revolution it was quite impossible to discard the first element, particularly in view of the fact that the Meiji Restoration had been brought about by the military class. In order to provide relief to the *samurai* the Government, therefore, adhered to the policy of industrial expansion so as to be in a position to offer these people suitable enterprises in which they could invest the pension bonds granted them in lieu of regular stipends. Consequently, the second feature had to be abandoned. This then is the true reason for the final abandonment of government ownership of these enterprises.

In summarizing the foregoing discussion, it would seem significant that the government industries of these early Meiji years represented both an intensive and an extensive expansion of the new industries recently inaugurated by the clan governments. Especially significant perhaps was the fact that in both the expansion and the abandonment of these industries, the first and the most important consideration influencing the Government was the matter of training and aiding private capitalists, a group which comprised most of the feudal lords and warriors of the earlier régime. We conclude then by pointing out the very interesting fact that these very government industries became a sort of hothouse in which the growth of capitalistic industries was encouraged, thereby playing a most important part in the development of a capitalistic economy in this country.

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