THE
KYOTO UNIVERSITY
ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS
KYOTO UNIVERSITY

VOL. LV, NO. 2          OCTOBER 1985          Whole No. 119

CONTENTS

Theory of Economic Policy by Young Kawakami

Eiji OHNO 1

Work Environment and Propensity to Innovate

Takehiko FURIHATA
Giancarlo NONNIS 32

National Unification and Land Reform in the
Modernization Process of Japan (2)

Satoru NAKAMURA 53

PUBLISHED BY
THE FACULTY OF ECONOMICS, KYOTO UNIVERSITY
SAKYO-KU, KYOTO, JAPAN
IV Disintegration of the Shōgunate Han Feudal-lord System—Chitsuroku Shobun

The Shōgunate han feudal-lord system was dismantled as far as feudalistic landownership (power of tax collection and judicial and administrative rule) by the Shōgunate and han was concerned during the process of Taisei hōkan1 and Haihan chiken2. On the other hand, the lower class lordship, which had already lost its independence and had been converted to hōroku3 (karoku) of the retainers in the early modern era (Edo Period — 1600–1867), was terminated by means of karoku shobun4. The Shōgunate han feudal-lord system originally had a far greater number of retainers than the European feudalistic system, but the number of retainers further increased during the period of the Boshin Civil War and they took on the character of mercenaries rather than the original retainers. As the payment of karoku occupied more than half of the financial expenditures of a han (about 70%, if the salary of the hanshu5 himself is included), treatment of karoku was a significant problem and of the most critical interest to the retainers and to the samurai class in general.

Dissolution of the Shōgun’s Retainer Group

The Shōgun’s retainer group was the first to be dissolved among the various groups of feudal retainers. The number of retainers of the Shōgun was estimated at the end of the Shōgunate period to be 5,200–5,300 hatamoto6 (among them about 2,200 chigyōtori7) and about 17,000 gokenin8. According to the report by surrendered Bakufu9 presented to Daisetokufu10 in June 1868, the amount of these retainers’ karoku was:

* Professor of Faculty of Economics, Kyoto University.
1) The return of national control by the Shōgun to the Tennō (Emperor) (November, 1867).
2) The reform in which the fiefs of daimyō were ultimately confiscated as a step toward building a state with a centralized government (August, 1871).
3) Salaries for the retainers.
4) Abolition of karoku.
5) A great feudal lord, daimyō, who governed a han.
6) The Shōgun’s retainers who had higher and middle ranks.
7) Those who were given fiefs by the Shōgun, that is, feudatory.
8) Lower ranked retainers of the Shōgun, who were given allowances in rice or cash salaries.
9) The central government of Shōgun.
10) An executive organ of the new Meiji Government located in Edo.
These retainers can be classified into the following 4 groups according to the mode of dissolution of their status: (1) those who took action on the side of the new Meiji Government from early on (before the Ueno Battle of July 4, 1868); (2) those who submitted to the new Government after the Ueno Battle, that is, after the time when Bakufu troops were driven away from Edo and the prospect of victory of the new Government was established; (3) those who became retainers of Shizuoka han when the previous Shōgunate became a daimyō of Shizuoka han (700,000 koku); and (4) those who gave up the status of samurai and became farmers or merchants.

Many of the first group were high-ranked hatamoto who had their fiefs in the western part of Japan and who submitted to the new Meiji Government to secure their fiefs, which had been taken away early on and placed under the control of the new Government. Although a fairly large portion of high-ranking hatamoto was included in this group, their total number was 340, which was only a small portion of hatamoto as a whole. They were permitted to rule over their own fiefs in July 1868 (even after that time, a few high-ranked hatamoto were allowed to continue the traditional lordship over their fiefs, but in these cases the fiefs were reduced to 2/3 or a half of the original ones) and given the status of chūgetai jōshi. In reality however, their traditional lordship as such was not approved and the previous fiefs were incorporated into fu ken13, with only their right of tax collection being preserved (in fact, taxes were collected by the fu ken and delivered to them). Since they were not feudal lords having fiefs of 10,000 koku or more (during the Edo Period, the lordship of a large feudal lord who had a fief of 10,000 koku or more was recognized as a han and its governing power was considerably independent from the Bakufu), their lordship could not become a fu ken han—a local administrative organization of the new Meiji Government but rather was incorporated into the organization. Therefore, their debts were not recognized as public debts but rather were regarded as private debts to be borne by the individual concerned, and paper currency issued within their territories was not taken over by the new Government. At last, in January 1870, they were finally deprived of the right of tax collection and instead they began being given karoku in an amount representing a reduction of 85% on average relative to their previous tax income. In December 1870, their status of chūgetai jōshi was abolished and they were classified as shizoku13.

The number of retainers in the second group was 5,779 in January, 1870, and they were naturally treated more harshly than those in the first group. Their fiefs were all incorporated into fu ken and curtailed substantially in September 1868 (for example, the rate of the curtailment was 90% for fiefs of 5,000 koku, 70% for those of 500 koku.

11) During the Edo Period the scales of fiefs and lands owned by farmers were shown not by areas but by the amounts of rice crops: 1 koku was about 5 bushels.
12) Regional administrative organizations under the central government.
13) With Hansui kokin in July 1869, the relation of lord and vassal of the previous samurai class in han was abolished, and the samurai class was given the status of shizoku.
and 60% for those of 100 koku: the curtailing was not enforced in the case of fiefs of not more than 40 koku). In January 1870, moreover, these curtailed karoku were reduced again, and thus the total rate of the curtailing amounted to 97% in the case of the highest rate, which was applied to fiefs of 10,000 koku. As a result, the karoku of the members of this group were almost equalized at an average 15 koku in rice per member, which was the living standard of a lower social class at that time.

The number of retainers of the third group was earlier expected to be about 5,000, but increased due to the appearance of immigrants without karoku to Shizuoka. A reform of karoku was forced upon the retainers in December 1869. According to the reform, the curtailing rate of karoku was still greater than that for the members of the second group: retainers who had fiefs of 3,000 koku or more were given 18 koku in rice (the curtailing rate was 99.5–98.3%); retainers who had fiefs of 500 koku were given 10.8 koku in rice (the curtailing rate was 94%); those who had fiefs of 100 koku were given 9 koku in rice (the curtailing rate was about 70%); and only the retainers who had former karoku of 20 pyö or less in rice (1 pyö equals 0.35 koku) were given 7.2 koku in rice which meant no reduction or rather a slight increase. At the end of 1871, the total number of retainers in this group was 13,666 and their total salaries in rice amounted to 148,698 koku or 10.9 koku per capita. With this amount of karoku alone, it was difficult to sustain the minimum living standards of a family.

Those of fourth group were those who gave up the status of samurai and to whom no karoku was paid at all. Their number seems to have been about 5,000.

In addition to the above-mentioned direct retainers of the Shōgunate, there were numerous indirect retainers (retainers of hatamoto and gokenin) who were all classified as farmers or merchants and were given salaries in rice only for a short time which represented substantial reductions relative to their previous karoku.

In less than 2 years, by January 1870, the karoku of the retainers of the Shōgun as a whole were reduced to 1/5 or less of the original amount (the reduction rate was 82%, according to a trial calculation), that is, a disposition nearly tantamount to abolition of karoku without compensation was already completed by that time.

Reforms of Karoku Systems in Han

In compliance with "Shomu henkaku" (July, 1869), "Han sei" (October, 1870) and other orders and regulations issued by the central government, reforms of karoku systems were carried out in many han. These reforms were considerably different according to the actual conditions of the han. Generally speaking, however, in accordance with the directions of the new Meiji Government contained in the order of "Shomu hen kaku" which set the income of han shu (han's lord) at 1/10 of the financial revenue of the han and reduced the karoku of the retainers of the han accordingly, many han curtailed the karoku of high-ranking samurai to 10% of the original amount, and the lower was the status of the retainers, the lower was the curtailing rate. Thus, in general, a rather low rate of curtailing or no curtailing at all was applied to the karoku of the lowest layer of the retainers, and some hans even increased the karoku of the lower class of
It must be noted that the setting of the karoku of han shu at 10% of the financial revenue of han and the curtailment of the karoku of the higher layer of samurai (including also the middle layer in some hans) to the level of 10% of the original amount had completely a different meaning. In the later period of the early modern age (Edo Period), there was a tendency to separate the household of the han shu from the finances of the han, and in many hans, household expenses of the han shu had likely been reduced to a level of less than 10% of the han's revenue due to financial difficulties at the end of the Shōgunate. Therefore, after Hansei hōkan\textsuperscript{14} the personal income of the han shu generally did not decrease and in fact increased in many cases. In other words, the han shu class was treated advantageously in terms of karoku payment in exchange for Hansei hōkan, but the karoku of the higher and middle layers of samurai was curtailed severely on the plea of following the determination of the han shu's karoku by the central government.

This constituted a significant factor which caused a great difference between the amount of public loan bonds received by previous han shu and that received by former retainers when karoku were finally abolished in 1876 in exchange for kimoku bonds, and brought about the difference in their destiny—former han shu generally became rentiers or capitalists, but many of the previous retainers fell to the lower classes or became wage earners. Hans which had been hostile to the Tennō's army and some other small hans were forced to curtail the karoku of retainers more severely and their living standard was almost equalized. Nagaoka han, Sendai han and others could not maintain the karoku system due to financial difficulties and only delivered rice to the retainers to enable them to sustain a minimum living standard. Especially after the enactment of "Hansei", increasingly more hans equalized the karoku of retainers.

Moreover, there were hans which not only curtailed the karoku but also tried to completely abolish or dissolve them. One such method was to change samurai to farmers, which was planned or implemented in 68 hans. In many such cases financial support was given to samurai to become farmers. However, in a situation in which farmers' landownership had already become widespread, it was impossible to go against this trend and make shizoku (samurai) landowners. Therefore, they were forced to cultivate new lands or to buy lands owned by farmers based on the recognition of the farmers' landownership, but as the latter ownership had already been firmly established and the purchase of land at low prices was impossible, the conditions for shizoku to become farmers were quite unfavorable. Many of them were frustrated in the course of their efforts and even the few who succeeded could not become landowners and were forced to become peasants (especially poor peasants).

Another method of abolishing karoku was the rokuken method\textsuperscript{15}, which was implemented in 5 hans (Kōchi (Tosa), Hikone, Fukui (Echizen), Yamaguchi (Chōshū) and Yonezawa). In this method the amount of rokuken was fixed for each retainer.

\textsuperscript{14) The return of fiefs to the Tennō (the Emperor) (July, 1869).}
\textsuperscript{15) A method which karoku converted to a kind of security which could be bought and sold.}
on the basis of their curtailed *karoku* and the buying and selling of *rokuken* was permitted. In Kochi, Yamaguchi and Hikone *hans* *rokuken* were gradually redeemed by purchasing them with the financial resource obtained by the curtailment of *karoku*, and they became the prototype of *Chitsuroku shobun* by the central government after *Haihan chiken*.

As the result of the above-mentioned reforms of the *karoku* systems, the amount of *karoku* paid at the time of *Haihan chiken* was reduced to 4,920,000 *koku*, which was a reduction of 38% in comparison with that before the Meiji Revolution according to a survey by the central government. In particular, the *karoku* of *shizoku* excluding that of the former *han shu* were curtailed severely by the rate of 44%, which was close to a reduction by one-half. Such a rate of *karoku* curtailment was greater than that done by the central government after *Haihan chiken*. Thus, it can be said that a major part of the Shogunate *han* feudal-lord system had already been dissolved in terms of the *karoku* disposition before *Haihan chiken*.

Disposition of *Hansa*\(^{16}\) and *Hansatsu*\(^{17}\)

The debts of *hans* which were to be taken over by the central government after *Haihan chiken* were enormous and quite varied with respect to borrowing conditions, and it took much time to investigate them. Moreover, the Ministry of Finance tried to reduce the amount taken over by the Government as much as possible due to financial difficulties. Therefore, it was not until the enactment of the Act on New and Old Public Loans on March 25, 1873 that the policy of disposition of these debts was decided.

The policy of disposition was as follows:

For a *han*\(^{18}\) which resisted the new Meiji Government and was once overthrown but was afterward forgiven, or a *han* which was newly recognized as an independent *han* by the new Government because its lord, although a retainer of a *han shu*, had a fief of 10,000 *koku* or more, only debts incurred after the time when they were recognized as *hans* were regarded as *hansai* (debts incurred before that time were regarded as private loans). Under the pretext that the *Bakufu* (the central government of the Shōgun) had issued *Kienrei*\(^{19}\) in 1843, debts before that time were revoked (an extended interpretation of *Kienrei*), and debts reported to the Government after the prescribed dead line and those certificates which had been lost were not accepted as objects of the disposition. Debts, especially private debts, of the *Bakufu* were not taken over by the new Government. Thus, the conditions of the disposition were severe enough.

On the other hand, the Government tacitly permitted *hans* to repay loans from farmers which were made in the form of advanced payments of taxes and which amounted to over 3,680,000 yen in 202 *hans* because armed rebellions by the farmers demand-

---

\(^{16}\) Liabilities of *han* (feudal domain).

\(^{17}\) Paper money issued by *han*, almost all of which were convertible notes.

\(^{18}\) A major feudal lord who possessed a fief that yielded more than 10,000 *koku* in rice (1 *koku* is about 5 bushels). There were some 250 to 300 *daimyō* throughout the country.

\(^{19}\) The *Bakufu* permitted to revoke part of debts for *hatamoto*. 
ing the repayment might arise if the loans were not repaid. Foreign loans of 4,000,000 yen were treated separately and were repaid in cash after negotiation (the amount actually repaid by the Government was 3,450,000 yen).

For the debts of hans taken over by the central government (excluding the amount repaid in cash), public bonds were delivered to the creditors of 11,220,000 yen in loans during 1844~1867 (old debts) and to creditors of 12,820,000 yen in loans from 1868 to Haihan chiken (August, 1871) (new debts). The public bonds given in exchange for the former loans were Old Public Bonds which were passive bonds redeemable in 50 years and those delivered in exchange for the latter loans were New Public Bonds which were 4 percent bonds redeemable in 25 years with 3 years of deferment. Out of domestic loans totalling 74,130,000 yen, loans of 39,260,000 yen were entirely repealed.

As the Old and New Public Bonds were unfavorable in their conditions, their market prices became significantly lower than their par values. For example, according to the assessment by Yasuda Shōten (later Yasuda Zaibatsu) in January 1875, the market price of the Old Public Bonds was 16% of the par value and that of the New Public Bonds was 54% of the par value. Thus, it can be said that on average, about 80% of the total loan for hans were in fact repealed. Moreover, since about 90% of the Old and New Public Bonds were actually delivered in 1873~1874, more than 2 years later than Haihan chiken and the remaining 10% was delivered even later, creditors were severely damaged and in particular, big moneylenders in Osaka specializing in loans to han went into bankruptcy one after another.

These money lenders had been adversely affected since the end of the Shōgunate by forced loans or contributions to Bakufu, payment of Kaikei motodatekin to the new Meiji Government, abolition of Ginme in 1868 and other actions by the Government, and now received an additional blow by the policy repealing hans' debts. After the middle of the early modern age (around 1750), however, repeal of hans' debts, deferment of repayment, switchover of old debts to loans redeemable in many years and other actions by hans had increased gradually and had become widespread by the end of the Shōgunate. This was due, among other things, to the financial difficulties of hans but also to the fact that the financial functions of Santo (especially Osaka) had been reduced and the dependence of hans to money lenders in Santo had been increasingly decreased. In view of these facts, the policy of repealing hans' debts by the new Meiji Government cannot necessarily be said to have been a reformative one.

The total of domestic and foreign loans of about 78,000,000 yen corresponded to more than 2 years of han revenue, an especially large amount of debt was generated during the 4 years from 1868 to 1871. This situation has traditionally been evaluated

20) In the early modern age (Edo Period), a monetary system based on silver coins prevailed in the western part of Japan and a credit system with a silver coin standard was highly developed on Osaka. In 1868, however, the monetary system based on silver coins was abolished by the new Government and the money lending business in Osaka panicked seriously.

21) The 3 major cities with the largest populations: Edo (present day Tokyo), Osaka and Kyōto. All of them were under the direct administration of the Shōgunate government. The populations were 1,000,000 in Edo and about 400,000 each in Osaka and Kyōto.
as having been a crisis of han finances. This is correct, but general conditions were already similar at the end of the Shōgunate.

For example, the amount of hansai before 1843 including interest was 15,750,000 yen, the current value of which as of 1870-1871 amounted to 79,430,000 yen obtained by multiplying 15,750,000 yen by the price increase rate of 504% between 1843 and the average of 1870 and 1871 (based on the gold currency). This conversion is done using the exchange rate, 100 me in silver=1 yen in gold. If the conversion is conducted with the exchange rate, 60 me in silver=1 ryō (1 ryō equals 1 yen) in gold, which was the actual exchange rate as of the 1830’s~1840’s, the current value of hansai would amount to 132,380,000 yen. This means that hansai as of 1843 reached an amount equal to a full 1.7 times that at the time of Haihan chiken, if it is assumed that no repayments were done after 1844. Since the middle of the early modern age, han finances could not be maintained without depending upon borrowings from money lenders in Santo. If we put it the other way around, however, hans could maintain their finances by depending on the money lenders. When hans could not depend on the money lenders, their finances collapsed completely. This change was directed by the new Meiji Government, since it ordered hans to repay hansai by the promulgation of “Hansei” in 1870.

If hansai did not increase substantially, how could hans maintain their finances? This was done by the issuance of hansatsu. The amount of hansatsu issued at the time of Haihan chiken had reached a rather high level of 47,000,000 to 90,000,000 yen or more (the amount differs according to estimation method). As the amount of hansatsu (ginza only—hansatsu at that time was almost entirely paper money of silver currency (ginza)) according to a survey by the Bakufu in 1842, was 87,000 gan in silver=1,450,000 ryō in gold, although the estimate seems to be substantially lower than the actual issuance, it can surely be said, nevertheless, that a major part of hansatsu as of the time of Haihan chiken was that issued after 1843. That is to say, it seems that the financial means which supported the expansion of han finances after 1843 was hansatsu rather than hansai.

It was the process of growth of a han into a nation that enabled the regular issuance of hansatsu after 1840’s, and the general circulation of hansatsu at the end of the Shōgunate was a condition that enabled the issuance of kinsatsu by the new Meiji Government. The Government ordered hans to withdraw hansatsu from circulation by “Hansei”, which was in this context a decisive means of destroying the han system.

Hansatsu were exchanged at the current price at the time of Haihan chiken for government notes (kinzatsu and others) and the exchanged amount was 22,910,000 yen (ex-

---

22) In 1871 the new Meiji Government employed a modern monetary system following the example of the monetary system in the U.S.A. The system was formally a gold standard and 1 yen equalled 1 dollar, but in fact it was a plural standard of gold and silver. Moreover, inconvertible paper money such as kinsatsu circulated.

23) Paper money issued by a han.

24) Inconvertible paper money of gold currency issued by the new Meiji Government in 1868 due to financial difficulties.
cluding 880,000 yen and more redeemed by the Government), which represented a rather large reduction in value. Thus, the Government could mitigate its obligation at the sacrifice of owners of hansatsu. Anyway, the new Meiji Government took over the debts of hans as public loans, as it recognized hans to be an administrative organization, but it did not take over any of the debts of retainer and dojō, regarding them to be private loans. In this respect as well, retainers were treated unfavorably in comparison with former hanshu (daimyō).

Thus, the new Meiji Government, in succeeding the governments of the former hans, took over only a rather small portion of their debts: out of hansai of 78,000,000 yen and hansatsu of 47,000,000 yen to 90,000,000 yen and more, for a total of 125,000,000 ~ 170,000,000 yen, it took over new and old public loans of 23,000,000 yen, hansatsu of 22,000,000 yen and foreign loans of 3,600,000 yen, for a total of 48,000,000 yen, which would be reduced to 32,000,000 yen if the new and old public loans are assessed at the market price. That is, the amount taken over was only 19~25% of the total debts.

On the other hand, the assets inherited by the new Government from former Bakufu and hans were cash and sales income of various properties of 19,000,000 yen, and other assets in kind such as mines, shipyards, factories, mints and others. Under these circumstances, it cannot be said that the dissolution of the former government system was conciliatory or that the new Meiji Government undertook a heavy burden, the dissolution was actually tantamount to one without any compensation.

Chisuroku Shobun

The new Meiji Government considered from the beginning of its establishment that the abolition of karoku was unavoidable, and before Haihan chiken, the Ministry of Finance had examined several concrete measures for this purpose, among which the measure of Chisuroku shobun using the rokuten method had been the most promising. Before Haihan chiken, however, the new Government had not yet established a centralized government system and accordingly could not enforce Chisuroku shobun. In August 1871, with the enforcement of Haihan chiken, the conditions for realizing Chisuroku shobun were set up and a rough agreement for it was drawn up among leaders of the new Government during the short period from August to December of that year before the major leaders of the Government started travelling in America and Europe for the purpose of observing actual conditions there and making preparations for the revision of treaties.

After that, the major leaders left the country, and the “caretaker government” (the government in power during the period from December 1871 to September 1873 when the governmental mission was travelling in America and Europe) immediately proceeded to the planning of Chisuroku shobun. The Ministry of Finance drew up a plan to raise foreign capital of 30,000,000 yen and to use 10,000,000 yen for the redemption fund of karoku and 20,000,000 yen for the fund to develop industries. This

25) High-ranking aristocrats of traditional lineage, who were close to the Tenno (the Emperor), but who were weak in political power and had small fiefs.
plan was approved tentatively by Sei-in26 in the first of March 1872. This was a drastic measure to dissolve karoku, the details of which were as follows:

1) karoku of kazoku27 were to be classified into 225 ranks from 60,000 to 160 koku and to be curtailed by 95-40% (about 75% on average); karoku of shizoku28 were to be classified into 198 ranks from 1,000 koku or more to 1.5 koku and to be curtailed by 50-17% (1/3 as a whole) (thus, if kazoku and shizoku are considered collectively, karoku were to be reduced from 4,630,000 to 2,700,000 koku and the rate of reduction was expected to become as high as 41.7%); and in exchange for the 6-year amount of the remaining karoku, 10 percent rokukens were to be delivered;

2) the financial resources to redeem rokukens were to be obtained from the foreign loan of 10,000,000 yen and the resource which were to arise from the karoku curtailment; and the redemption was expected to be completed in 9 years; and

3) the entire foreign loan of 30,000,000 yen was to be repaid within 5 years after the above-mentioned 9-year period.

Saigō Takamori who were the top-ranking sangi26 agreed enthusiastically to this plan, and Yoshida Kiyonari, Vice-Minister of Finance, was sent to the U.S. and Britain for the purpose of raising the foreign loan. Yoshida thought that karoku ought to be forfeited without any compensation and that giving 2/3 of it after curtailing 1/3 constituted generous treatment.

As this plan was too radical, Iwakura Tomomi and Kido Takayoshi, who were in the U.S., felt discontented with it and had misgivings about it and opposing opinions arose even within the caretaker government, resulting in the suspension of the plan. After that, in summer 1872, the Ministry of Finance made somewhat more moderate plans such as: a plan to change karoku to kinroku (salaries in money), reduce it by 1/15 each year and abolish it entirely after 15 years and a plan to issue 10 percent kinken (money bond) in exchange for 8-year karoku and to stop the payment of karoku. But these plans were not realized.

When the governmental mission to America and Europe returned to Japan during the end of May to September 1873, the seikan29 dispute had developed into a decisive conflict and a political change arose in which Saigō Takamori, Itagaki Taisuke, Etō

---

26) The highest organ of the new Meiji Government.
27) At the time of Hanseki hōkan in 1869, the title of kazoku as a status of aristocrats was given to daimyō (hanshas) and kuge who had been aristocrats of the Tenno’s government (Chōtei) since the ancient age and who had a high status but little political and economic power during the Edo Period.
28) At the time of Hanseki hōkan the relation of superordination and subordination between daimyō and the retainers was abolished, and the retainers were given the title of shizoku.
29) An office occupied by the top leaders of the new Meiji Government and the top-ranking sangi corresponded to the prime minister.
30) In 1872 when the governmental mission was in America and Europe, among the leaders of the caretaker government an opinion became prevalent to invade Korea by mobilizing the shizoku class which was discontented with the modernization reforms. But, after that, Iwakura, Okubo, Kido and other leaders returned from abroad and because they opposed the seikan opinion by insisting on giving priority to domestic reforms, the governmental decision to invade Korea was withdrawn in October 1873.
Shinpei and other pro-seikan sangis resigned en masse from their offices. A period of political vacuum continued until the end of the year. Therefore, although a proposal of Chitsuroku shobun was submitted to Sei-in at the end of the year, only a tentative plan was decided by Sei-in due to the unstable political conditions. The tentative plan was as follows: (1) a karoku purchase system was to apply to those who were paid less than 100 koku of karoku and shōten roku,31 and among them those who wished to apply for the karoku purchase were to be paid hereditable karoku for 6 years or non-hereditable karoku for 4 years and payments were to be stopped after that; and (2) a progressive tax (from the highest rate of 35% to the lowest one of 0.2%) was to be imposed on karoku for the purpose of assigning the revenue to expenditures of the army, and the payment of karoku was to be curtailed by about 10% on average by this tax.

The karoku purchase system was extended in November 1874 to those who were paid karoku of 100 koku or more, and the resources for the purchase were obtained by a foreign loan of 10,000,000 yen raised in London by Yoshida Kiyonari and by the issuance of Chitsuroku Bonds (the issued amount was 16,640,000 yen). The Chitsuroku Bonds were scheduled to be deferred for 2 years and after that to be redeemed for 7 years. The number of those who wished to apply for the karoku purchase was about 95,000 and the total amount of their karoku was 1,080,000 koku which was 6,100,000 yen in money. With this karoku purchase, the number of those who were paid karoku was reduced by 1/3 and the payments by 1/4. The combined impact of the purchase system and the progressive taxation of karoku was to curtail the payment of karoku by 35% on average. Although the purpose of the karoku purchase system was originally in shizokujusan,32 as many shizoku were needy, they immediately spent the entire income from the purchase system for their living costs and most of them at once fell into difficult living conditions. Therefore, the system was stopped in July 1875.

As a result of the Osaka Meeting33 in February 1875, Kido and Itagaki returned to the Government and took key offices of the administration together with Okubo. Thus, the political situation was stabilized and the subjective conditions were prepared to dissolve karoku once and for all. At first, in September of that year, as a preliminary step to the abolition of karoku, the Government changed the payment method of karoku from payment in rice to that in cash, which was intended not only to cope with the change from a goods basis to a money basis of governmental revenue in accordance with Chiso kaisei34 (land-tax revision) and other reforms but also to mitigate substan-

31) This was given to those who had achieved great exploits in the Boshin Civil War or those who had rendered distinguished services during the Meiji Revolution.

32) An economic policy of the Government in the early years of Meiji which was intended to change shizoku who fell into difficulties in living due to modernization reforms to farmers, merchants and industrialists. But many of the measures based on the policy were unsuccessful.

33) As many of the leaders of the new Meiji Government opposed the policies of the Government and resigned from office in 1873 and 1874, the Government fell into a condition of political isolation. In order to break the deadlock, Okubo who was in the center of the Government, met in Osaka with Kido and Itagaki, who were out of office, and a compromise was reached among them.

34) A modernization reform of the systems of landownership and land taxation. With this reform land taxes which had been paid almost entirely in kind in the past were made to be paid entirely in money.
In the same month, the Ministry of Finance presented a proposal for karoku disposition to Sei-in. The examination of the proposal was prolonged due to the opposition by Kido to its harsh elements (especially, the treatment of the middle and higher class shizoku and kazoku), details there of were revised somewhat (conditions for those who were paid kinroku of 60,000 yen or more were improved somewhat and conditions for the lower class of shizoku were reduced somewhat), and at last, on August 5, 1876, the Act on Issuance of Kinroku Public Bonds was enacted, although the enforcement of the Act was delayed by a year (it was enforced in 1877).

The principal idea of the Act was as follows: as the relation between feudal lords and retainers was dissolved with Taisei hōkan (November, 1867), the grounds for paying karoku was entirely eliminated and karoku had to be abolished immediately, although some conditions had prevented the abolition; now expenditures for karoku amounted to about 1/3 of governmental revenue, which made it difficult financially to implement various modernization policies, and therefore the abolition of karoku should be carried out by issuing public bonds in exchange therefor; and moreover, the issuance of public bonds would mitigate the present tightness of money due to depressed economic conditions. There can be found no consideration for relieving karoku recipients (the former feudal ruling classes) from the downfall, but can be seen a strong intention to use the issuance of public bonds as a lever for promoting modernization policies. Thus, the payment of karoku was finally terminated by delivering Kinroku Public Bonds corresponding to the amount of kinroku for 5 to 14 years to 310,000 persons of kazoku and shizoku status (see Table 1).

<table>
<thead>
<tr>
<th>Amount of kinroku</th>
<th>Kinds of public bonds</th>
<th>Ratio of interest to former income B</th>
<th>Number of persons to whom public bonds were issued</th>
<th>Total amount of issued public bonds</th>
<th>Average per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 yen and more</td>
<td>interest 5%</td>
<td>5.00-7.50</td>
<td>34-44</td>
<td>Persons 519 (0.2%)</td>
<td>Yen 31,413,586 (18.0)</td>
</tr>
<tr>
<td>100 yen and more</td>
<td>interest 6%</td>
<td>7.75-11.00</td>
<td>46-74</td>
<td>Persons 15,377 (4.9)</td>
<td>Yen 25,038,957 (14.3)</td>
</tr>
<tr>
<td>10 yen and more</td>
<td>interest 7%</td>
<td>11.50-14.00</td>
<td>88-98</td>
<td>Persons 262,317 (83.7)</td>
<td>Yen 108,838,013 (62.3)</td>
</tr>
<tr>
<td>Exchangeable kinroku C</td>
<td>interest 10%</td>
<td>10.00</td>
<td></td>
<td>Persons 35,304 (11.3)</td>
<td>Yen 9,347,657 (5.4)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td></td>
<td>Number 313,517 (100)</td>
<td>Average 174,638,215 (100)</td>
</tr>
</tbody>
</table>

"Years A" means the number of years multiplied by the amount of kinroku to calculate the amount of a public bond.

"Ratio B" means the ratio of interest to the net income of kinroku after the deduction
of kinroku tax. Out of exchangeable kinroku C 92% was occupied by Kagoshima-ken, which corresponded to 64% of Kinroku Public Bonds issued by the prefectural government.

Results of Chitsuroku shobun

If we compare the income from karoku with the interest on delivered public bonds, the income was reduced by 65% at the maximum and by 56% even at the minimum in the case of those given 5 percent public bonds, most of whom were farmer hanshu (feudal lords). The smaller the rate of the income reduction, the lower was the position of the groups of shizoku. However, the average delivered amount of public bonds per person to those given 7 percent bonds almost all of whom were low-class shizoku was 415 yen and its interest income per year was only 29 yen 5 sen which was equal to 8 sen per day, and even in the case of the highest layer of the low-class shizoku, the interest income per year was 77 yen which was equal to 21 sen per day. This interest income was lower than the daily wage of 24 sen of a navvy at that time. As the living expenses per year of people in the lower social class at that time was 25 yen per person and about 100~120 yen per family, all of the low class shizoku (95% of those who were given public bonds) could not maintain even the lowest living standard with only the income from interest. The remaining 6% (those who were high and middle class shizoku) were given public bonds of 1,628 yen per person and the interest income was 97 yen per year, with which they could barely maintain the living standard of the lowest class people. Merely 519 persons—only 0.2% of those given public bonds, who received 5 percent bonds, could maintain the living standard of the higher social class with the income from interest. In particular, the upper class of them who received public bonds of more than 100,000 yen, could not only pay living expenses with the interest income, but could also become big money-lending capitalists by making investments using the received public bonds. In fact, they constituted the top income group in society throughout the Meiji era together with big capitalists including Zaibatsu capitalists. However, those who belonged to this class were only 67 persons—only a small part of the former hanshu (daimyō) class (roughly speaking, hanshu who had a fief of 100,000 koku or more).

In total, the interest of Kinroku Public Bonds in 1877 was 11,520,000 yen, which was reduced by 6,190,000 yen or 35% in comparison with the amount of karoku payments of 17,610,000 yen in 1876. How, then, would be the comparison with karoku before the Meiji Revolution? Although conditions are so complicated that a precise comparison is not possible, we will show the results of a survey performed by the Government in what follows (karoku were converted to amounts in money using the average market price of rice used to pay taxes in rice during 1872, 1873 and 1874 when karoku were changed to kinroku):

1. The total amount of karoku before the Meiji Revolution was, if we take the amount as of 1869 when the karoku of hanshu was determined to be 10% of han’s revenue, 34,620,000 yen;
(2) This was reduced to 22,650,000 yen at the time of *Haihan chiken* in 1871 (including *shōtenroku* of 1,180,000 yen newly given by the Government);

(3) The interest of *Kinroku* Public Bonds in 1879 was 11,610,000 yen; this amount will be increased to 14,480,000 yen by adding the interest of 2,870,000 yen (8%) to the total of cash and *Chitsuroku* Bonds of 35,890,000 yen given by the *Karoku* purchase system; and

(4) The ratio of the final amount in (3) to that before the Revolution in (1) becomes 41.8%, which will be further lowered if the rise of prices after 1872–1874 is taken into consideration; for example, the ratio for 1878 will become 35%.

The *karoku* disposition by the new Meiji Government was formally a redemption with compensation, but it was in fact close to cancellation without compensation as more than 60% of *karoku* was repealed substantially.

Since there was a need to prevent the downfall of the price of public bonds due to the issuance of a huge amount of bonds (174,000,000 yen or close to 3 times the working budget of the Government at that time), to give incentives to the economy which was facing a depression since 1874, and to cope with the demand for money for industrial development, which was increasing rapidly at that time, The National Bank Act was revised in August 1876 at the same time as the enactment of the Act on Issuance of *Kinroku* Public Bonds. According to the revision of the National Bank Act, a national bank was permitted to deposit with the Government public bonds of 4 percent or more corresponding to 80% of its capital, issue bank notes in the same amount as the above-mentioned deposited amount and hold governmental notes corresponding to the remaining 20% of capital as reserves for conversion of bank notes. Thus, the conditions for establishing national banks were remarkably mitigated and the way for converting *Kinroku* Public Bonds into banking capital was opened.

However, as the delivery of *Kinroku* Public Bonds was delayed until June 1878 and mortgaging of *Kinroku* Public Bonds was at first inhibited in order to prevent a rapid downfall of those who were given the bonds and to prevent speculation with the bonds, 39 national banks, of which 12 were established in 1876 and 27 in 1877, excluding the No. 15 National Bank, started their business by depositing with the Government New Public Bonds, *Chitsuroku* Public Bonds and *Kigyo* Public Bonds, all of which could be bought and sold, and their founders were commercial capitalists and moneylenders but not *kazoku* and *shizoku*. From 1878, the establishment of national banks with *Kinroku* Public Bonds began to increase rapidly, and their establishment was stopped in December 1879 when the number of established banks reached the expected number with the establishment of the Kyōto No. 153 National Bank.

With respect to the national banks, there has prevailed a view in the past that they were set up mainly by *kazoku* and *shizoku*, based on the transformation of *kazoku* and *shizoku* into capitalists. In fact, however, less than 10% of *shizoku* could become stockholders of national banks, and the par value of *Kinroku* Public Bonds 47,260,000

---

35) The bonds of a public loan for modernization of industry, which was raised in 1878 in the amount of 10,000,000 yen.
yen deposited with the Government by national banks was only 27% of the total issued amount of Kinroku Public Bonds. Moreover, of the amount of the deposited Kinroku Public Bonds, 29,070,000 yen was 5 percent bonds of the No. 15 National Bank established by kazoku, and only 12% of the amount of bonds received by shizoku was converted to the capital of national banks. The proportion of stocks of national banks held by shizoku, decreased from 31% (at the end of 1880) to 23% (at the end of 1885), and that of stocks held by heimin (general citizens) increased to the contrary (from 26% to 35%). In many cases, key positions in the management of national banks were occupied by commercial merchants and moneylenders, and even in those banks where shizoku took the initiative in the early stage following establishment, actual control was in many cases gradually transferred to merchants and moneylenders.

If we look at the details of the business of national banks, we will find that in 1886 the funds of merchants occupied 49.0% of fixed deposits and 63.2% of current deposits, while the funds of shizoku occupied 21.4% and 6.7% respectively and those of kazoku occupied only 3.8% and 4.3% respectively. In terms of the use of money, 55.9% of the balance of loans was for merchants (12.1% for shizoku and only 7.6% for kazoku) and 70.0% of the balance of overdrafts was also for merchants (the next was 17.0% for companies). In short, national banks were banks by commercial capital and for commercial capital, concentrating in commercial finance, and those who used Kinroku bonds in the banking business were these merchants. Of course, a part of the shizoku class participated in the banking business, but they occupied only subsidiary positions.

An exception was the No. 15 National Bank which had a huge scale and which was established by concentrating all the forces of kazoku and by receiving special benefits from the Government with the help of Iwakura who feared the downfall of kazoku (shizoku and heimin were excluded entirely from participation). The capital of the bank was 17,820,000 yen and the amount of bank notes issued was 16,660,000 yen, with which it lent 15,000,000 yen to the Ministry of Finance and 600,000 yen to the Ministry of Imperial Household. It was a unique entity which did not conduct any general banking business and which was a property protection organization of kazoku rather than a bank. It rendered dividends of 10-12% a year on shares with the income from interest on public bonds and government loans.

How, then did those of the shizoku class spend their life in later years? Some of them became officials of central and local governments, teachers in public schools, soldiers and policemen, but these were only a small part of the shizoku class. Although the Government took measures for giving benefits to shizoku, almost all of them fell into needy circumstances, especially after the inflation following the Seinan War caused a downfall of bond prices and even greater difficulties in the live of the shizoku. Thus, Saigō Takamori suffered a defeat in the dispute of Seikan (invasion to Korea) within the new Meiji Government and returned to his native place, Kagoshima in 1873. A shizoku group of former Satsuma han which was discontented with the modernization reforms supported Saigō and raised a rebellion against the Government. This was the Seinan War which was the greatest rebellion against the Government in the early years of Meiji, and it took 8 months and cost a large amount of military expenses for the Government to suppress the rebellion.
a greater part of Kinroku bonds given to shizoku went out of their possession within only several years.

The above-mentioned situation is illustrated in Table 2, which covers 31% of the issued amount of Kinroku Public Bonds. According to the table, in 1882−1883 the amount of the bonds possessed by shizoku was reduced to only 17.8% of the issued amount of the bonds and, in particular, to less than 10% in economically advanced areas such as Osaka and its suburbs and in the Tōhoku district (Where there were many hans which opposed the Tenno’s army). Moreover, many of the bonds possessed by shizoku were mortgaged. Thus, a greater part of the shizoku class became wanderers, the needy in towns and cities, and wage earners.

Finally, we will refer briefly to the legal aspects of the dissolution of the feudal ruling classes. With Hansēki hōkan in July 1869, former hanshu became kazoku and their retainers became shizoku (“All of those from relatives of hanshu to lower class samurai were given the status of shizoku.”), but it was difficult to abolish at once the strata of status among the retainers of hanshu. In “Hansei” enacted in October 1870, however, the status of the retainers was simplified into 2 strata, shizoku and sotsu, and in March 1872, the status of sotsu was abolished. Moreover, in October 1871, the inhibition of marriage between the different social status of kazoku, shizoku and heimin with each other was withdrawn, and in January 1872, kazoku and shizoku who were not government officials were permitted to take up the occupation of a farmer, industrialist or merchant, and thus the status of kazoku and shizoku ceased being an occupational status. Further, with the promulgation of the Conscription Act in January 1873, the monopoly of naval and military affairs by kazoku and shizoku was completely abolished, and in March 1876 shizoku were prohibited from carrying a sword.

Table 2. Ratio of the Kinroku bonds possessed by shizoku to the originally issued amount of the Kinroku bonds (in 1882−1883)

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Fu and Ken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>Osaka · Sakai · Hyōgo (Settsu area) 6.7, Iwate 7.9, Akita 9.2</td>
</tr>
<tr>
<td>10−15%</td>
<td>Tottori 10.4, Fukuoka 13.7</td>
</tr>
<tr>
<td>15−20%</td>
<td>Tochigi 15.8, Hiroshima 17.2</td>
</tr>
<tr>
<td>20−25%</td>
<td>Ishikawa 20.0</td>
</tr>
<tr>
<td>25−30%</td>
<td>Okayama 25.0, Shizuoka 27.1, Wakayama 27.6, Kyōto 27.7, Nagano 27.7</td>
</tr>
<tr>
<td>30−35%</td>
<td></td>
</tr>
<tr>
<td>35−40%</td>
<td>Aichi 38.0</td>
</tr>
<tr>
<td>Average</td>
<td>17.8</td>
</tr>
</tbody>
</table>

On the other hand, with the karoku purchase system instituted in December 1873, karoku payments were separated from the status of shizoku, and with the enactment of the Act on Issuance of Kinroku Public Bonds in August 1876, shizoku were completely deprived of the right to receive karoku. In November 1872, the judicial treatment of kazoku, shizoku and heimin was equalized, and the punishment to deprive former samurai
of the status of *shizoku* and lower him to *heimin*, which had barely remained in new laws enacted by the new Meiji Government, was finally abolished with the enactment of the Criminal Law in July, 1880. Thus, the social status system of the former ruling classes was almost completely dissolved and *shizoku* became only social inheritance (but its influence as an inheritance remained until much later). With respect to *kazoku*, however, efforts were made to make it a privileged class with the *Kazoku* Act in 1884, in order to cope with the development of the Movement for freedom and democratic rights\(^{37}\) and prepare for the inauguration of the Diet.

\section{Modern Land Reform—Land-Tax Revision (Chiso Kaisei)}

Formation of Land Reform Plan

Although the new Meiji Government enforced a fairly drastic dissolution of the Shogunate han—feudal lordship system, which had already shown signs of decline, it took a prudent attitude toward the land-tax revision. This is because farmers' landownership and the landowners' land-possession, which had been formed by purchasing lands from farmers, were already established and because the land-tax revision was directly concerned with the interests of these landowners. From the start of the new Meiji Government, however, it had the intention of implementing a land reform, and it was in fact impossible for the Government to establish its foundations without such a reform.

Therefore, the Government began to draw up a plan for revising the imposition method of land tax throughout the country in August 1870 and it announced in February 1871 a policy of employing a modern land-tax system following the example of Europe and America. After *Haihan chiken* the Ministry of Finance proceeded to prepare for implementation of the policy. According to the plan of October 1871, signed by both the Minister of Finance Ókubo Toshimichi and by the Vice-minister Inoue Kaoru, details of the preparation were as follows: (1) liberalization of the cultivation of land; (2) liberalization of the buying and selling of land; (3) liberalization of the export and import of rice and wheat; (4) surveys of land area; (5) approval of the right of landownership of farmers and landowners and issuance of certificates of landownership to them; (6) imposition of land taxes in proportion to the exchange prices of land; and (7) surveys of land prices.

In accordance with this plan, the prohibition of exports of rice and wheat was withdrawn in September 1871, cultivation of land was liberalized in October of the same year, and buying and selling of land were liberalized in March 1872. At the same time, in October 1871, Ókubo and Inoue presented to Sei-in a proposal which was aimed at enacting a law to liberalize transaction of land and levy land taxes in proportion to land prices. However, the Government assumed a cautious attitude to

\(^{37}\) A political movement from the latter half of the 1870's to the first half of 1880's which resisted the Government by requiring democratic political systems,
avoid immediate enactment of new systems of land and land taxes.

In March 1872, a law was promulgated according to which *chiken* (a land-bill) was to be issued to the buyer in a land trade. The system of land-bills had been initiated in the settlement of Yokohama which was an open port, where the Ministry of Finance issued land-bills in December 1872, according to the opinion of the governor of Kanagawa-ken. This issuance was enforced to meet the needs in accordance with the opening of the port.

In this context, the land-bill system is the result of the integration of the Japanese economy into world capitalism. On the other hand, however, it was a successor of the *koken* system which was in existence since the early modern age (Edo Period). In the early modern age, a kind of certificate of landownership called *koken* (different names were employed in different places) had been used in the trade of lands, and at the end of the Shogunate, this system not only prevailed as a practice in the private sector but also sometimes was approved officially by the feudal lords. This practice prevailed to some extent throughout the country, but was especially developed in the *santo* and other cities.

Therefore, the new Meiji Government proceeded to enforce the *chiken* (land-bill) system in towns and cities in the beginning. But the land-tax system based on the land-bill system was different from that in the early modern age in that land taxes were imposed at the same rate of 1% of the price of lands irrespective of whether the land was owned by a merchant, *shizoku* or a temple (this tax rate was increased to 3% in August 1875, in accordance with the Land-Tax Revision). Then, the Government extended the land-bill system to agricultural villages, and *chiken* (land-bills) were issued there at the time of land trades. Further, in August 1872, the Government decided to issue land-bills not only to land bought and sold but also to traditionally owned lands, and ordered local governors to complete their issuance by the end of November of that year. At the same time, in the tax office of the Ministry of Finance was set up the Bureau for Revision which was in charge of the reform of taxation systems.

Keeping pace with this, in December 1871, the Act on the Administration of *Ken* was enacted and new local governors were appointed, in principle from those who did not come from the former *han* concerned after the former *chihanji* had resigned from the office. Based on these adjustments, in September-November, 1872, a draft of the *Koken* Tax Act, which replaced the traditional *koken* system, was prepared.

The Ministry of Finance unofficially informed *fu-ken* of this draft and asked them to present their opinions. Then, local governors agreed to the principles of the draft but questioned the market price of lands which was employed as the basis to issue *chiken* (land-bills) for the reason that the prevailing market price in the private economy was based on the entirely unreasonable traditional land taxes and it was not a proper base for the new land-tax system. Instead, according to the opinions of local governors, the price of lands should be determined based on the calculation of profit from land using

---

38) The governors of local governments appointed in principle from the relevant former *hanshu* in the period between *Hanzeki hikan* in July 1869 and *Haihan chiken* in August 1871.
one of the following methods: to calculate the profit of a lot by neglecting entirely the traditional land tax; or to determine the profit of a lot by putting together the land tax and profit (opinions from Gunma, Hamamatsu, Hamada, Okayama, Kokura and Fukuoka ken); or, after making a survey of the farm rent which constituted the basis for land trade, to regard the farm rent to be the total of the land tax and profit after deducting the production cost (opinions from Yamagata, Gifu, Hōjō and Kokura ken).

That is to say, the Government recognized land possession by farmers and landowners in the issuance of chiken (land-bills) but employed traditional land prices based on land taxes of the feudal-lord system. In this context, the draft of the Ministry of Finance recognized the dual land possession systems as they were which existed at the end of the Shōgunate—the land possession system of the Shōgunate han feudal-lord system and that of farmers' landownership. But local governors insisted that the landownership of the Shōgunate han feudal-lord system should be denied completely and a new land-tax system be established on the basis of farmers' landownership. This does not mean that local governors were radical but that their opinions reflected the actual situation in which the Shōgunate han feudal-lord system had already been dissolved and it was impossible for the new Meiji Government to continue the system. On the other hand, however, as farmers' landownership was a customary practice in the private sector, there was no official land-register. Therefore, it was necessary to officially investigate land areas, confirm ownership of lands and make a survey on harvests and production costs (or farm rents), but these actions were analogous to kenchi might quite possibly have aroused the suspicion of farmers (kenchi was in many cases a means of increased imposition of land taxes), and was impossible to implement if farmers resisted, since the power of the new Meiji Government was still weak at that time.

Under these circumstances, the actual land-tax system generally maintained traditional elements even after Haihan chiken by making only partial modifications when specifying conditions for a land-tax revision. Accordingly, the land-tax system could not adjust to actual conditions in different regions and it became difficult to maintain the system in the face of pressure from farmers. When an effort was made to determine the actual productivity of land by means of kemi (a field survey of crops in the relevant year) by a newly appointed local governor who did not know the actual circumstances in that region, some reduction of tax revenue often resulted. Therefore, the revenue from land taxes began to decrease rapidly after Haihan chiken (see Table 3).

Table 3. Decrease of the revenue of land taxes (1871～1874)

<table>
<thead>
<tr>
<th></th>
<th>1,255 ten thousands koku</th>
<th>— ten thousands koku</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>1,214</td>
<td>— 41</td>
</tr>
<tr>
<td>3</td>
<td>1,124</td>
<td>— 131</td>
</tr>
<tr>
<td>4</td>
<td>1,075</td>
<td>— 180</td>
</tr>
</tbody>
</table>

39) Surveys of land areas, crop yields, and payers of land taxes conducted by feudal lords in the early modern age (Edo Period).
At last, on January 20, 1873, the Government permitted fu-ken to present requirements for the revision of taxation as it could not repress them, and thus the requirements from local governors rushed into the Ministry of Finance one after another. Local governors themselves had come to the point where they could no longer suppress the demands for the revision of taxation by farmers. In order to cope with these conditions, on January 31, 1873, the Ministry of Finance noticed fu-ken that a conference of local governors would be held in April of that year. After that the Ministry completed preparations for the conference including the collection of reports on conditions in localities from local governors and information on taxation laws in Europe and America, and the conference was held from April 12 for about a month. All of the local governors agreed to the Chiken tax act and moreover the predominant majority of them insisted on its immediate enforcement. Thus, the proposal of the Land-tax Revision Act was decided on May 12 of that year, and after the approval of Sei-in, the Act was promulgated on July 28.

Details of the Land-tax Revision Act (Chiso Kaisei Act)

As mentioned above the Land-tax Revision Act was decided hastily without the completion of sufficient preparation because of pressure from farmers for the abolition of the traditional land-tax system and mitigation of land taxes, and therefore many problems arose in the process of its enforcement. There were also other reasons for such a sudden enactment of the act: the time of enactment coincided with the period of treaty revisions, and the new Meiji Government sought to revise domestic taxation acts in connection with its intention to revise unequal treaties and enhance customs tariffs for the protection of domestic industries and the increase of tax revenue; and the enactment was done as one of the radical, somewhat idealistic policies of the caretaker government.

The important items of the Land-tax Revision Act were as follows: (1) The traditional land-tax system was to be abolished, land surveys (investigations into jioshi jōryō and crops, production costs, etc.) were to be conducted, prices of lands were to be determined and chiken (land-bills) were to be delivered to proprietors; (2) immediately after the completion of the above-mentioned activities, a land tax in cash at the fixed rate of 3/100 was to be levied on owners of land; and (3) the land tax was to be reduced to the rate of 1/100 in the future in accordance with the increase of commodity taxes. The key points of the Act were to establish modern land-tax and land systems at once throughout the country and to obtain revenue from land taxes in the same amount as that of the former land taxes in kind in the near future.

As the new land tax was of the same level as the former land tax, there has prevailed in the past a predominant opinion that the new land tax is only a transformation of the feudal land-rent (conversion from a land rent in kind to that in cash), or only a half-feudal tribute (essentially a feudal tribute). This opinion should be denied on the basis of the following reasons: (1) the new land-tax system was a fundamental reform of the land possession system which denied thoroughly the traditional landownership of the
Shōgunate han feudal-lord system and legally and officially recognized farmers' landownership; (2) being based on such a fundamental reform, the new land-tax system was a modern profit-tax system to levy taxes on the price of land; (3) the new land-tax, in terms of the level of the amount, recognized officially the surplus of farmers which had been realized at the end of the Shōgunate; and (4) the new Meiji Government which imposed the tax was the national power enforcing capitalistic policies strongly, and the revenue from the land tax was to be used for the purposes of the Government.

On the other hand, however, the new land-tax system was clearly contrary to the strong demands for tax reduction by farmers, and therefore the Government was forced to promise future reductions in the tax in order to mitigate the discontent of farmers and to make the land-tax revision successful. But the heavy land tax was a burden for realizing capitalism. If Japan as a late-developing country which was incorporated dependently into the world capitalistic system could not find another significant source of revenue other than the land tax, it was impossible for the Government to realize its commitment to tax reduction to farmers, irrespective of its subjective intention. The interests of farmers should be abandoned if they conflict with the interests of the bourgeoisie. In 1884 when the Land-tax Revision Act was abolished and instead the Land Tax Act was enacted, the provision to reduce the rate of the land tax to \(\frac{1}{100}\) of the price of land in the future was eliminated.

Process of the Enforcement of the Land-Tax Revision (Chiso Kaisei) and the Fight for Tax Reduction by Farmers

Since in the Land-tax Revision a legal land-price system was employed the actual exchange price of lands based on the traditional land tax was abandoned, it became necessary to conduct jiōshijōryō and survey of crops. To avoid the opposition of farmers, the Government employed the method of entrusting all the investigations to farmers and of having government officials inspect the results of the investigations. Jiōshijōryō, which means the confirmation of landowners and surveys of land area, was carried out by farmers fairly positively and the results thereof were considerably precise, since it was a survey method based on the already established farmers' landownership.

However, the crop survey following jiōshijōryō did not go smoothly. The price of a lot was determined as follows: at first, the profit of the land was calculated by deducting the cost of seeds and manure (production costs) and land tax and local taxes from the price of crops; and then the profit was converted to capital (land price) by dividing it by the interest rate. The formulas which were employed by local governors as a standard are shown in the following table.

### Examples of inspection

**First rule (for self-owned land)**

\[
X(\text{land price}) = \frac{P(\text{crop yield } \times \text{rice price}) - 0.15(\text{cost of seeds and manure}) - \left\{ \frac{3X}{100} (\text{land tax}) + \frac{X}{100} (\text{local tax}) \right\}}{0.06 \text{ (interest rate)}}
\]
Second rule (for tenant land)

\[ X(\text{land price}) = \frac{0.68P(\text{farm rent}) - \left\{ \frac{3X}{100} (\text{land tax}) + \frac{X}{100} (\text{local tax}) \right\}}{0.04 (\text{interest rate})} \]

As the cost of seeds and manure (production costs), the rates of interest, land tax and local tax were substantially fixed, if the crop yield and the price of rice were determined, the price of the land would be obtained automatically, and as the amount of land tax would be determined by the land price, the crop yield and the price of rice were the key points.

Since at the beginning of the Land-tax Revision the Government tried to resort to voluntary actions by farmers and moreover since political conditions at that time were quite unstable due to the Seikan dispute and other circumstances, the Revision did not progress so noticeably. By December 1874, 36 fu-ken began the revision but among them only Yamaguchi and Miyagi ken and Sakai-ken Takayasu-gun completed it. Moreover, in view of the process of its implementation, it came to be expected that the revenue of the new land tax would decrease by as much as 5,900,000 yen (16%) relative to that of the former land tax.

Having been driven into a corner, the Government proceeded to make a strong rebound. First, in March 1875, after the Osaka Meeting, the Office of Land-tax Revision was established in order to integrate the administration of Land-tax Revision which had been divided between the Ministries of Finance and Internal Affairs. In May of the same year the Minister of Internal Affairs Ōkubo Toshimichi was appointed the President of the Office of Land-tax Revision and the Minister of Finance Ōkuma Shigenobu was designated as the minister in charge of the office, and the organizational structure was set up for sending officials from the Office to different localities for guidance and supervision in order to enforce the revision at once throughout the country.

On the other hand, the Government enacted in July of the same year the detailed regulations of the Land-tax Revision Act to determine targets of crops by the Government and to force them on localities, instead of the previous method in which the Government entrusted crop surveys to farmers and officials inspected the results of surveys based on the reports by farmers. The new method was to determine the average crop yield per 10 ares of fu-ken and crop classes at the level of guns, villages and blocks of lands; and according to this classification, to assign the amounts of crop from top to lower levels (fu-ken → guns → towns and villages → blocks of lands). In August of the same year, the end of the following year (1876) was decided upon as the deadline for the completion of the land-tax revision. At the same time, the enforcement provisions, which were moderate initially, were intensified, and in October of the same year, a law was enacted by which the harsh kemi (a field survey of crops) regulations were implemental whereby a land tax of 50% of the crop was levied after a kemi when the relevant government agency regarded the price of the land to be improper. As the traditional severe kemi regulations became applicable to a much greater land area than the former
land area after the enforcement of jiushijōyō, land taxes would have become quite heavy if the regulations were actually applied. Thus, the fear of enforcement of the regulations would constitute a strong pressure on farmers. Further, in May 1876, a law which was easier for the Government to apply was enacted by which, if a landowner did not agree to the assessment of crop, the Government could determine the price of the land in proportion to the lands which were located in the neighbourhood and had similar conditions.

Such enforcement of the land-tax revision resulted in increasingly strong resistance from farmers. Thus, the number of riots by farmers against the land-tax revision increased from 2 in 1874 to 10 and 19 in 1875 and 1876 respectively. A radical increase was seen starting in approximately October 1875. The peak of the riots occurred at the end of 1876, and from the end of November to the beginning of December of that year riots occurred in Makabe and Naka guns (countries) of Ibaragi-ken (1,116 participants were punished in the riot of Naka). Then, from the 19th to the 23rd of December an unprecedentedly large-scale riot spread over the 4 ken of Mie, Aichi, Gifu and Sakai (57,000 persons were punished). In October of the same year, riots by shizoku had been instigated in Kumamoto, Akizuki and Hagi, and the crisis of a rebellion by Kagoshima shizoku threatened to raise.

The Government, having been driven into a corner, suddenly decided on a tax reduction on the initiative of Okubo and promulgated the reduction on January 3 of the next year (1877). By this action of the Government, the land tax was reduced from 3/100 to 2.5/100 of the land price and the local tax imposed on lands was lowered from 1/3 to 1/5 of the land tax. It was a drastic tax-reduction of 25% in terms of the land tax and local tax taken together. One of its background factors was that the karoku disposition had been finally decided with the enactment of the Act on Issuance of Kinroku Public Bonds in August 1876 and the financial burden of karoku payment was expected to be mitigated.

Among the groups antagonistic to the Government, the Government made a concession to farmers and landowners and neglected the shizoku. On January 30, 1877, less than one month after the enactment of the land-tax reduction, Kagoshima shizoku instigated a rebellion by having Saigo Takamori as their head and after that the Seinan War ensued for 8 months. After the victory of the Government in the War, the land-tax revision progressed comparatively smoothly, and the number of fu-ken which completed the revision amounted to 14 in 1876, 7 in 1877, 10 in 1878, 7 in 1879 and 5 in 1880. Therefore, the land-tax revision of arable lands was completed, and the Land-tax Revision Office was closed in June 1881.

Results of the Land-tax Revision

Now, we will make a comparison of the results of the Land-tax Revision with the conditions before it in what follows. The area of arable and residential land increased from 3,260,000 hectares before the revision to 4,840,000 hectares after it, which was a remarkable increase of 48.7% (but if a comparison of the new area of 4,520,000 hectares
excluding ken where the farm area was not clear and the farm area of 3,070,000 hectares excluding wild lands which had been arable land previously is made, the rate of increase becomes 47.2%). The amount of crops increased from the former kokudaka (crop amount) of 32,220,000 koku to the crop of rice after the Land-tax Revision (crops of soybeans, barley and wheat in the fields and housing lands were included by converting them to that of rice) of 44,250,000 koku, which was an increase of 37.3% (but if a comparison of the new crop amount with the former kokudaka of about 29,500,000 koku excluding crops from wild lands is made, the increase rate becomes 50.6%).

It goes without saying that the former land-area and former kokudaka were the values in the landownership of the Shogunate han feudal lord system and the new land-area and amount of crops were the values surveyed and determined in the Land-tax Revision. It can be said that the latter in principle depended upon and recognized the farmers' landownership system which had been institutionalized among farmers in the early modern age (Edo Period). Among these new values, the new land-area has become the basis of arable land areas for a long time after that (even today), but this was not true of the rice crop yield because although it was much closer to the actual value than the former kokudaka it was not as close to the actual value as the new land-area was.

As mentioned above, in the Land-tax Revision the rice crop yield was the most important factor in determining the price of land. In order to set the price of land at the level where the revenue from the new land-tax would be approximately the same as that from the old land-tax, the Government, as in the first rule of shown in the above table (the first rule was applied in almost all cases of the land-price calculation), recognized the costs of seeds and manure (production costs) to be only 15% of the value of the crop and employed an interest rate of 6%, which was far lower than the socially recognized interest rate. The remaining most important factor was the rice crop yield, with respect to which farmers resisted the Government violently. Therefore, although the Government enforced the method of classifying ranks of crop for different levels of localities as mentioned above, the amount of rice crop yield determined finally was fairly lower than the possible actual value.

The extent of the reduction in crop productivity cannot be determined precisely but seems to have been about 30% (the reduction rate relative to the actual value seems generally to have been small for paddy fields and great for other types of fields). Therefore, as the reduction in productivity offset to some extent the low rates of the costs of seeds and manure and of interest, the legal price of lands determined in the Land-tax Revision does not seem to have been a high price very distant from the actual value. (An opinion has been prevalent in the past which argues that the Government enforced a high land-price much higher than the actual value in order to secure the same level of revenue from the land tax as that of the former land tax, but this opinion is not correct.)

Next, let us examine the amount of the land tax. It is difficult to discuss the amount, since prices, especially the price of rice varied conspicuously at the end of
the Shōgunate and in the early years of Meiji. According to the “Report of the Land-tax Revision” by the Ministry of Finance, the revenue of the revised land-tax of 49,460,000 yen decreased by 2,900,000 yen (5.5%) in comparison with the 3-year average revenue of the tax before the revision (1872~1874), which was actually collected by the Government (52,360,000 yen). The revenue from the revised land-tax was based on a tax rate of 3/100 of the price of land, but the rate was reduced to 2.5/100 in 1877 and the revenue became 41,210,000 yen, which represented a decrease of 11,140,000 yen (21.3%) relative to the average revenue before the revision. As the land tax was paid almost entirely in cash since 1872, this comparison is approximately that of the amounts actually paid by farmers.

If we compare the amounts of the tax revenue by converting them to quantities of rice, taking into account the variation in prices, the revenue of the revised land-tax becomes 11,810,000 koku (1 koku equals about 5 bushels), which means an increase of 440,000 koku (3.9%) in comparison with the 3-year average revenue of the land tax before the revision (11,370,000 koku), while the revenue of the new tax was reduced to 9,840,000 koku in 1877, which represented a decrease of 1,960,000 koku (17.3%) relative to the level before the revision.

As discussed above, the revenue of the revised land-tax was approximately the same as that of the previous land-tax when the tax rate was 3/100, but the period during which this rate applied was only one or two years for almost all fu-ken (there were some ken where this rate was not applied at all), and the final value of the revenue (since 1877) represented a considerable reduction compared with that before the revision. The factor most responsible for this situation was the pressure of rioting farmers who opposed high land prices and high land taxes (it has been said that “Farmers gained a tax-reduction from 3% to 2.5% with the spears of their riots”). The Government was affected severely by this tax reduction and its capitalistic policies from above (especially the investments of governmental funds) since 1877 were restricted greatly for this reason. The revenue of the farmer land-tax before the Revision seems to have been lower than that before the opening of ports at the end of the Shōgunate, and therefore the revenue of the revised land-tax would mean still further decrease in comparison with the tax revenue at the end of the Shōgunate.

Thus, the traditional systems of landownership and land tax were completely abolished and the modern systems of landownership and land tax were created. These modern systems meant the recognition of farmers’ landownership, which had already become established nationwide as a customary practice in the private economy in the period of the early modern age (Ado Period), and further meant the nationalization and integration of the farmers’ landownership system in a more thoroughly modern form under the conditions of the independent inclusion of the Japanese economy into world capitalism. There were some cases where the modern form did not correspond with the economic reality (especially, in the underdeveloped areas), and in these cases, the modern form became a condition for rapidly modernizing the economic reality.

The establishment of the modern systems of landownership and land tax through
the Land-tax Revision played the role of a huge lever for the original accumulation of capital. The exploitation of farmers by the heavy land tax in cash advanced disintegration of the farmer class. In this context, an important point is the fact that the amount of the land tax was fixed. The fixation of the land tax, combined with the drastic fluctuation of prices at that time, caused a substantial mitigation of the burden of the land tax during the price-rising (prosperous) period, but a substantial increase in the burden of the tax during the price-falling (depressed) period, which amplified business fluctuations and conspicuously intensified their effects on farmers. At that time, business fluctuations in Japan had already been incorporated into the business cycles of world capitalism, and it can be said in this context that the Land-tax Revision performed the function of promoting the dependent, late-developing original accumulation of capital in Japan. The period of Matsukata Deflation was typical in this sense.

On the other hand, the enactment of the Act relating to the Mortgaging and Pawning of Land and the Act relating to the Mortgaging of Movable and Immovable Properties and to Loans of Money and Crops in 1874 set up the conditions for strongly protecting mortgage credit on land and contributed to the activation of land finance. At the same time, other processes were progressing such as: the rapid development of the goods economy in farm villages; the advancement of commercial capital in farm villages and the exploitation of farmers; and the development of the parasitic landlord system and increases in farm rents. Thus, the capitalistic economy expanded to the farm villages, and farmers were to become incorporated into it incidentally.

40) In 1881 Matsukata Masayoshi took office of Minister of Finance. He adopted a drastic policy of tax increases and retrenchment of finance to overcome financial deficits arising from the inflation since 1877 and as a countermeasure against substantial excesses of exports. Accordingly, the Japanese economy fell into depression and the depression was further intensified and prolonged the effects of the world crisis.