History-Oriented Economics in Kyoto

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In this article, the first half-century of economics at the Kyoto University is reviewed from the viewpoint of the ‘history orientation’ of economics. From the 20th century onward, Kyoto rapidly grew into one of the most active research centers for economics that regularly published both Japanese and Western language journals. Kyoto became the hub of policy studies as well as social and economic history. However, due to its involvement in the wartime policy, economics research in Kyoto suffered severe setbacks after 1945. The vital historical elements in these years — the influence of the German Historical School and Marxism, the quest for the “Japanese Political Economy”, the influence of Max Weber, the Leninist turn, and the “historical consciousness” — are successively examined.

Keywords: Kyoto economics, Japanese Political Economy, Historical consciousness, Keizai Ronso, Kyoto University Economic Review

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As the historical capital of Japan, Kyoto is highly suited to the combined study of economic theory and history. From the time of its foundation up to the present, economists in Kyoto have generally agreed that “History matters”. Moreover, not to mention economic historians or economists influenced by Marxism, theoreticians of modern economics, such as Yasuma Takata, Kei Shibata, and Hideo Aoyama, were also interested in the historical perspective on economics. This history orientation is the dominant characteristic of economics in Kyoto that makes it different from other economics research centers in Japan. Here, the term “history orientation” encompasses the thought and culture of the time, which influence economic transactions, making economics a truly historical process in society.

1. Foundation Years

Kyoto University was founded in 1897 as the second Imperial University with the mission of breaking the monopoly of her senior in Tokyo. In terms of economics

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1 See Negishi’s overview in this issue number and Negishi (1998).
research, however, private universities, such as Keio-Gijuku and Waseda, and colleges of commerce in Tokyo, Kobe, and Osaka were also strong competitors for the newly founded Imperial University\(^2\). The first generation of economists in Kyoto\(^3\) had to make considerable efforts to create a new research center in Kyoto by organizing various workshops and publishing academic journals that eventually became the *Keizai Ronso* in 1915. In the mid 1920s, when these economists ventured to launch the first Western language journal of economics in Japan, the *Kyoto University Economic Review*, Kyoto’s position in economics academism in Japan was firmly consolidated.

When Kyoto University was founded, Japanese academics were strongly influenced by German learning. In particular, in the field of political science, the leaders of the Meiji government favored the Germans as they were of the view that the liberal, democratic elements in Anglo-American or French learning were harmful to the political constitution of Japan\(^4\). The first economics professors of Kyoto University, Kinji Tajima, Kaichi Toda, and Masao Kambe, were sent to Germany at some point before or after their appointment at the university. The prevailing school among German economists at the time was the Historical School, which had given rise to the Association for Social Policy. The members of this association promoted detailed historical investigations as well as the collection and elaboration of statistical data on the nation and specific societies. In general, they opposed the laissez-faire policy and supported trade and social policies that fitted the historical and social conditions of the nation. The Japanese professors naturally assimilated this attitude in Germany and brought it back home. Those who had not studied in Germany (representative figures were Hajime Kawakami and Shiro Kawada) were also members of the Association for the Study of Social Policy, which was the Japanese replica of the German Association\(^5\). The members of this association introduced the research method used by German economists, which integrated detailed historical investigation with statistical analysis. The extension of policy agenda to social and ethical problems, which was a peculiar characteristic of the Kyoto economists, can also be considered the heritage of the influence of German economics of that time\(^6\).

However, we cannot neglect the immanent intellectual tide that provided a firm foundation for the various trends in learning. Since the turn of last century, the

\(^2\) For an introduction of Western economics and its institutionalization in the higher education of Japan, see Sugiyama/Mizuta eds. (1988).

\(^3\) In this article, I use the terms “Kyoto economics” and “Kyoto economists” to designate the subject and economists at Kyoto University. Although these terms were probably legitimate for the years before 1945, they were definitely not used after 1950 when other private universities in Kyoto expanded their economics departments. Incidentally, before 1945, the term Keizai Gakubu (Faculty of Economics) was translated as “Economics Department”.


\(^5\) For more about this group, see Fujii (1998).

\(^6\) Since economists of the Historical School did not provide sufficient economic theory, many Japanese scholars would incorporate several ideas of marginalism, in particular, those of the Austrian School, into their lectures. This eclecticism was previously practiced by one of the leaders of the German Historical School, Adolph Wagner, whose textbook was widely read in Germany at that time.
nationalistic awakening superseded the teaching of enlightenment scholars (represented by Yukichi Fukuzawa) that had propagated Westernization based on liberalism and pragmatism. Most intellectuals began to seek their national identities, which were not derived from the individualistic teachings of Western learning. Education was no longer the path to enter Western civilization; rather it was considered necessary to serve the nation for the recognition of their own backgrounds and futures.

While it is true that Kyoto economists learned much from German economists in terms of the method and direction of research, their main interest lay neither in Germany nor in the West as a whole. They instead focused their attention on Japan and to its historical background, including oriental classics.

Nationalism itself was also changing during this period. After several decades of the authoritarian leadership of the government, the Japanese economy was gradually entering a stage where there was a demand for a balanced growth of the national economy. In contrast with the promotion policy of modern industries, a reappraisal of the agricultural and local industries was emphasized. An increase in the urban population brought forth social work by the municipalities. In other words, the main factor responsible for the formation of the national economy shifted from being the leadership of the central government to being autonomous initiatives of the middle classes and local communities.

This direction is exemplified among Kyoto economists, especially by Kaichi Toda. He avoided reactionary protectionism and recommended the modernization of the agricultural and traditional industries. He collaborated with Osaka City Hall in the investigation of local social service. In his treatise on cartels, he acknowledged its progressive contribution to the modern economy despite its various demerits. Due to his well-balanced reasoning, he was prominent among the first generation of Kyoto economists until his early death in 1924.

However, there was an element that distinguished Japanese economists from other economists in the world. The emergence of urban pauperism and labor unrest made intellectuals aware of social problems. Socialism became an attractive idea for the youth, who were discontent with the situation of the society at the time. Several books on socialism were published in the early 20th century. Immediately after socialism began to grow into a real social movement in Japan, the government undertook stringent measures to suppress it. Under these circumstances, senior scholars of the Association for the Study of Social Policy issued an open letter to the public and tried to discern themselves from socialists. Journalists labeled it with a disgraceful term, “an apology”.

Two Kyoto economists, Tajima and Kawakami, followed contrasting paths

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7 Matsunoo (2002: pp. 2–96, 161–211) described the research interests of Kyoto economists during this period by locating Toda at its center. See also Kamikubo (2003) pp. 49–53.
8 For more on his works and life, see Kamikubo (2003) pp. 27–32.
9 To date, a considerable number of books and articles have been written in Japan on Kawakami. My view on him is presented in Inoue/Yagi (1998) and Yagi (1999) chap.6; however, for Western readers, I recommend Bernstein (1976).
with respect to socialism and Marxism. Tajima first studied modern trends in socialism in the West. His brief summary of Marx’s socialism in 1897 was probably one of the first literatures to introduce the concept of Marxism to the Japanese public. Several years later, Kawakami, who was still a journalist at the time, contributed a series of articles on socialism to a popular newspaper, *The Yomiuri* (1905).10

However, the attitude toward socialism was ambiguous in the case of both economists. Tajima recommended social policy instead of socialism. Kawakami interrupted his series due to a sudden moral conversion. Both these economists were concerned about the ethical criticism against capitalism and not about the socialist program for the reorganization of the society. In Kawakami’s case, it was not before the Russian Revolution that he avowed himself as a disciple of Marx and came out with his own journal, *Shakai Mondai Kenkyu (Inquiries into Social Problems)*. During the same period, Tajima appeared as a conservative critic of Marx and Marxism. He argued that economic surplus results from the cooperation of productive factors and not from exploitation. In his later years, he proposed the harmonization of the economy and morality and studied his precursors in Chinese classics. Despite the differences in views, both Tajima and Kawakami shared the ethical criticism of the principle of self-interest of Western economics.

Kawakami gradually transformed himself from a nationalist to a radical Marxist. However, he maintained his moral conviction regarding his unselfish devotion to his cause through his lifetime. This is why Kawakami influenced many youth including overseas students and remained (and still remains) popular among those who differed (and still differ) from him in terms of the political conviction he held. It is regrettable that Kawakami’s prominent works such as *Bimbo Monogatari (A Story of Poverty)* of 1917 and *Shihonshugi Keizaigaku no Shitekihatten (Historical Development of the Capitalist Economics)* of 1923 are not available in Western languages; however, they were translated into Chinese in the 1920s.11 In the former book, Kawakami argued that economic growth never reduces the misery of the poor and proposed a moral revolution as the solution. In the latter book, he described the development of British economics as the rise and fall of the self-love principle of the bourgeoisie and anticipated the emergence of a new proletarian economics.

2. Launch of the *Kyoto University Economic Review*

The “Editorial Foreword” of the first issue of the *Kyoto University Economic Review* (hereafter referred to as *KUER*) described the development of economics

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10 *Shakaishugi Hyoron (Essays on Socialism)* in *The Yomiuri* from Nov. 1 to Dec. 10 of 1905 under the pseudonym.

11 The former was translated into Chinese in 1920 and the latter in 1928. (See Mita 2003, p. 259.) Together with other numerous translations and introductions, Kawakami influenced the Chinese youth during the 1920s and 1930s considerably.
research in Japan in three stages. Since this foreword appears to objectively reveal the consensus among Kyoto economists at the time, below is the exact quote of the entire passage:

Frankly speaking, the first half of the Meiji Era (the latter half of 19th century) can be regarded as an age of translation. During this era our scholars were absorbed in importing Western economic thoughts. But during the second half (the beginning of 20th century) they began to show a critical attitude towards the imported ideas and doctrines which they evaluated at will, taking into consideration the peculiar history and special circumstances of our own. In recent years great strides have been made in the economic studies of our country — so much so that it will not be long before the Japanese Economic School can be established by our economists. (KUER 1(1) p.ii)

This printed issue included articles written by ten professors, including two associate professors, that is, nearly the entire staff of the Department of Economics. “Karl Marx’s ‘Forms of Social Consciousness’” was the only article that Kawakami contributed to the KUER. In this article, he argued that the relation of production could not be explained without the “forms of economic consciousness”, which were required to be discerned from the “ideological forms” such as political thought. This was his response to the younger Marxists (Kazuo Fukumoto and Tamizo Kushida) who had criticized his “remaining idealism”. Thus, Kawakami’s response to his critics was his unique interpretation of the Marxian system that combined objective relationships and “consciousness” at the basic socio-economic level. This discussion is comparable to that of the Western Marxists over heterodox works by G. Lukács and K. Korsch with respect to the introduction of the element of “consciousness” into the Marxian system.

Tajima contributed his criticism of Marxism in the same issue and further discussed his favorite topic, the harmonization of economy and morality, in the following volume. Kawada wrote on the tenant systems in Japan and Korea. Kambe published his proposal for personal tax on luxury consumption. Other topics that were discussed in the first volume of the KUER were as follows: “On peculiarities of economic development of Japan” by Eijiro Honjo, “The basic principle of future colonial policy” by Miono Yamamoto, “Shipping combinations as seen from the viewpoint of Freight Theory” by Shotaro Kojima, “A study on the index numbers of prices of the Bank of Japan” by Saburo Shiomi, “The gold-paper standard in the monetary system of Japan” by Shoichi Sakuda, and “Suicide statistics in Japan classified according to sex” by Seiji Takarabe.

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12 Yamanouchi (1973) regarded this article as the zenith of Kawakami’s investigation in Marxism and deplored its interruption for the sake of Japanese Marxism.
13 Tajima (1927a, 1927b).
14 Kambe taught public finance of an orthodox German style. He was a prolific writer who regularly published articles in the Keizai Ronso and KUER. For more on his life and work, see Kamikubo (2003) pp. 210–214.
3. Policy Studies

Policy studies in Kyoto began with Toda. He objectively discussed a wide range of policy problems ranging from trade and financial negotiations to labor problems. Kawada was taught by Toda and became one of the first Kyoto professors to graduate from Kyoto University. He particularly focused on studying agricultural problems and the tenant system in Japan and discussed the conditions necessary for agricultural reforms. After Kawada shifted to Osaka (to assume the presidency of the Commercial College), this interest was carried forward by Yoshinosuke Yagi. He not only discussed trends and institutions in Japanese agriculture but also tried to measure seasonal fluctuations in the prices and supply of rice. This enabled him to estimate the balance of the rice budget that was to be established under a new rice law. Based on this estimation, he concluded that the introduction of the public distribution of rice would inevitably accompany the introduction of the regulation of rice production. It is said that American experts who drafted the post-1945 agricultural policy benefited from his articles printed in the *KUER*.

Kichihiko Taniguchi studied the trade policy and the domestic distribution system. He discovered there the tendency toward an organization that would undermine the intermediate role of merchants. During the years of depression, he advocated an ambitious plan of “supplying purchasing power” to overcome the economic crisis. During the war years, he proposed a “link system” for the controlled trade of commodities in the East Asia Wider Territory.

4. Birth of the Social-Economic History

One of the concrete results of the ‘History-orientation’ of Kyoto economics was the foundation of the Nihon Keizaishi Kenkyusho (Institute for the Economic History of Japan) in 1933. This institute collected historical materials, published a special journal dedicated to this sub-discipline of economics, and employed promising youth as its fellows. It was founded by two Kyoto professors: Iwao Kokusho and Eijiro Honjo.

Kokusho published *Hyakusho Ikki no Kenkyu (Studies on the Peasant Riots)* in

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17 A balanced overview of his work and life has not yet been written. See Taniguchi (1932a, 1932b, 1939, 1942).
18 Honjo introduced the activities of his Institute in an international journal of economic history. See Honjo (1934).
19 Full professor of agricultural history in the Department of Agriculture since 1926. See Yamada/ Tokunaga eds. (2001).
20 Full professor of economic history since 1937. Honjo shifted to Osaka College of Commerce in 1942.
1928. He collected more than 500 records of peasant unrest during the Edo period and classified them in order to judge their characteristics. His conclusion was that they were still confined to the feudal class order. This implied that it would be inappropriate to regard them as such revolutionary class struggles as several Marxists would have assumed. Kokusho appears to have adopted Max Weber’s theoretical concepts as he had been the first to translate Max Weber’s *General Economic History*, the Japanese edition of which had been published one year earlier.\(^{21}\)

Honjo mainly studied social structure and its transformation during the Tokugawa period. He was also the pioneer of research on the economic thought of this period. During wartime, he traced the distinctive tradition of contemporary economic thought in Japan back to the Tokugawa period and named it “Japanese Political Economy.”\(^{22}\) Honjo’s academic style was succeeded by Yasuzo Horie, who had once been a fellow of the Kokusho as well as of Honjo’s Institute. Horie analyzed the economic policies of the clans in the latter half of the Tokugawa period and argued their continuity to the policies of the early Meiji period. Later, he stressed the role of “Ie” (House) in the economic modernization of Japan.\(^{24}\)

5. Commitment to the Wartime Politics

The realization of the crisis facing the nation after the break of the war against China had driven several Kyoto economists to enter into politics. Besides Taniguchi, who was a member of the Showa Kenkyukai (policy think tank for Duke Fumimaro Konoe), Kei Shibata also joined the New Order Movement (Shin Taisei Undo) soon after returning from his studies abroad.\(^{25}\) He tried in vain to persuade the business leaders in the Kansai area with his “new order economic model”, which aimed to eradicate the capitalistic elements of the economy and introduce a controlled economy for the benefit of the “communal totality”. At the same time, he endeavored to prove the efficiency of the controlled economy through a critical examination of the Walrasian as well as the Böhm-Bawerkian model.\(^{26}\)

Whether or not Yasuma Takata, another major theoretical economist who had

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\(^{21}\) On the significance of Kokusho’s adoption of Weber’s concepts, I am grateful to Prof. Matsunoo (Ehime University) for his kind suggestions. Its original was Weber (1923). The Japanese edition was published in 1927 from Iwanami, Tokyo under the title, *Shakai Keizaishi Genron*. After Kokusho’s death, Hideo Aoyama published its second edition as Kokusho’s joint translator in 1954–55.

\(^{22}\) Honjo (1942a, 1942b).

\(^{23}\) Full professor of economic history from 1945 to 1967.

\(^{24}\) Horie (1966)

\(^{25}\) As a theoretician, Shibata attempted a synthesis of Marx’s reproduction scheme and Walras’s general equilibrium theory (see Negishi 1998). For more about his life and works, see Kamikubo (2003) pp. 102–106. Also see K. Yagi (1997). Apart from several papers in the *KUER* he printed Shibata (1941) at his own expense.

\(^{26}\) Negishi (1995).

taught Shibata the general equilibrium theory, was an active supporter of the war was a controversial issue. He did not commit himself to the pro-fascist “new order movement”; however, he often preached on his favorite topic, “The poor win over the rich” to the public. In sociological theory, this was presented by the theory of circulation of peoples.

There was also a trend that would lead to the establishment of a true “Japanese Political Economy” that suited the national polity of Japan. Shoichi Sakuda would theorize “the absolute state”, in which all social conflicts were resolved. When he was invited by the military to the new university in “Manchuria” (Kenkoku Daigaku), he accepted this offer with the hope that this would lead to the birth of a prosperous coexistence of peoples.

Another romantic advocator of the “Japanese Political Economy” was Koji Ishikawa, a fanatical loyalist. Based on the hermeneutics approach, he interpreted economic thought as the basic principle of the national polity. He extended the concept of the Tenno-centered house community to the whole society. When he criticized the aggressive policy of the military, he was removed from the chair under the charge of disguised communism. He respected his mentor, Kawakami’s belief in unselfishness although he was not a Marxist.

During wartime, philosophers of the Kyoto University were notorious for their legitimization of the war by a speculative “philosophy of the world history”. Sakuda and Ishikawa closely agreed with them. During the post-war period, the GHQ of the Allied Forces suspected that Kyoto had been the cradle of “militarism and ultra-nationalism” and purged nine professors by directly issuing a memorandum. Two of these were philosophers, one was a historian, and the remaining six were economists. Taniguchi, Shibata, and Ishikawa were on the list. There were reasons to suspect the other three of being “supporters of militarism and ultra-nationalism”.

The Department itself would serve the state policy by expanding its Asian studies. It organized a research project on the economic conditions of China and collaborated with several institutes for policy studies. Consequently, it acquired several chairs from the Ministry of Education and established the Department-affiliated Institute for East-Asian Economy in 1940. It is said that an enormous amount of research funds flowed in through such collaborations.

6. The Shift after 1945

The criticism of the attitude of the Economics Department during the war years began at the conversation at Kawakami’s funeral in January 1946. It intensified

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30 Full professor of history of economics and economic philosophy since 1930.
31 Although Takata was not on the list, he was judged “unfit” for the teaching position by the examination committee that was organized by the faculty. He demanded a revision of this judgment from the Minister of Education and finally acquired it in 1949.
everyday until the Department held an unscheduled faculty meeting that was open to the lower rank staff of the Department for participation. All full professors signed their resignation letters at this meeting and handed it to the newly elected dean. The dean requested the lower rank staff to stay. The remaining staff had to rebuild the Department from scratch along with the new staff that had arrived from other universities.

The shift was also apparent in the field of research. The oriental research that once prospered in Kyoto disappeared and was replaced by Western studies. Socialism and Marxism were openly introduced in theory, history, and policy. However, in contrast to the University of Tokyo, where a group of expelled Marxian scholars returned to the Department, Kyoto lacked theoretical tradition in Marxian economics. The few staff who had retained Marxian ideas during the war years deserted Kyoto despite repeated dissuasion by the dean.

This presented a clear contrast with the University of Tokyo after 1945. The University of Tokyo could continue its tradition with the return of the Marxian scholars who were banished for a decade. Further, a theoretician, Kozo Uno who would separate theory and history in Marxian economics, moved to Tokyo to establish his influential school (the so-called ‘Uno School’) with his supporters.

As things were, the Kyoto economists were deeply influenced by the intellectual tide of democratic revolution after 1945. It was not classical Marxism but “Marxism in the 20th century”, namely Leninism, that influenced the Marxian economists in Kyoto. Most of them were skeptical of the static view of Japanese capitalism as represented by Yamada Moritaro’s *Nihon Shihonshugi Bunseki* (*Analysis of Japanese Capitalism*, 1935). Lenin presented them with two advantageous theories that could help overcoming this defect: the theory of “market” that enables capitalist development in the rural area as well as the theory of “imperialism” as the framework of the modern worldview. Thus, Marxian economics in Kyoto after 1945 was oriented more toward history and policy studies than toward basic theoretical investigation.

7. Historical Consciousness

The non-Marxists or anti-Marxists called forth Max Weber for an alternative framework of the history. Based on Max Weber, Hideo Aoyama described the structure of modern economy as a system of stratified rationalizations. Against

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32 See Kyoto Daigaku Keizaigakubu (1999) pp. 51–55. For the change in the economics academics of Japan during these years, see Yagi (2000).

33 Associate Professor Shoichiro Shirasugi mainly studied the history of economics during wartime but after his leave from Kyoto, he published creative works in Marxian economic theory and history.

34 This work was representative of the so-called “Koza-ha” that influenced leftist students in the 1930s. See K. Yagi (1999) chap. 7 and Ando (1998).

35 See Aoyama (1950). He began his study on Weber during wartime (See Aoyama 1944) and Aoyama (1948) had already completed his studies before 1945. For Aoyama’s life (1910–1992) and works, see Kamikubo (2003) pp. 107–112.
the critics of capitalist firms, he defended the rational business as a healthy base of the modern economy\textsuperscript{36}.

Yuzo Deguchi\textsuperscript{37}, along with Aoyama, one of the few who were allowed to remain as the teaching staff at the Kyoto, also dealt with the theories of Max Weber several times\textsuperscript{38}. In clear contrast to Aoyama, who interpreted Weber’s methodology from the viewpoint of rational economic theory, Deguchi read it as the completion of the historical orientation of German economists. He termed it as the “historical consciousness” of the 19th century that had been born from the self-criticism of the naturalistic recognition of the history of the enlightenment scholars in the 18th century. According to him, this “historical consciousness” was composed of three elements — desire for national unification, individualistic formation of intellectuals, and priority of the recognition over ontology. To each of these three elements, Deguchi proposed the overcoming elements that were to produce the new “historical consciousness” of the 20th century — real desire for national as well as universal praxis, racial formation of intellectuals, and recognition of the world as a historical reality\textsuperscript{39}.

On one hand, this “new historical consciousness” was nothing more than a variation of typical self-understanding of Japanese intellectuals during wartime. On the other hand, it was very similar to the motivation that had driven Kawakami to the illegal communist activity as well as to the Leninist conception of the history during the postwar years. Deguchi carried on the hermeneutic approach from his mentor Ishikawa. Both Ishikawa and Deguchi respected Kawakami throughout their lifetimes\textsuperscript{40}. Ishikawa and Deguchi educated many scholars in the history of social thought and economics. Their views were diversified from the Right to the Left. Thus, the historical orientation of the Kyoto economists involved an enigma in this case, too.

References

[Abbreviation] \textit{KUER}: Kyoto University Economic Review


\textsuperscript{36} See Aoyama (1952).

\textsuperscript{37} Full professor of the history of economics from 1948 to 1972.

\textsuperscript{38} He contributed on Max Weber in \textit{KUER} twice. See Deguchi (1950, 1957).

\textsuperscript{39} Deguchi (1943) pp. 121–135.

\textsuperscript{40} Ishikawa erected his tombstone besides Kawakami’s at the Temple Honenin, Kyoto. Deguchi wrote one of the most penetrating interpretations of Kawakami’s mind in Deguchi (1962).


—— (1950) “Concept of science in Max Weber”, *KUER* 20(2).


—— (1942b) “The original current of ‘Japanese Political Economy’”, *KUER* 17(3).


—— (1927b) “Economic ideas revealed in the Chung Yung (The Doctrine of the Mean)”, *KUER* 2(2).

Taniguchi, K. (1932a) “General tendency to promote the elimination of merchants”, *KUER* 7(1).

—— (1932b) “The ‘Supplying Purchasing Power’ plan—An urgent proposal for the breaking down of the world crisis by supplying people’s purchasing power”, *KUER* 7(2).

—— (1939) “The link system in Japan”, *KUER* 14(2).

—— (1942) “The trade policy of East Asia Wider Territory Economy”, *KUER* 17(2).


—— (1932) “A study on the cost of rice production”, *KUER* 7(1).

—— (1933) “Effects of the operation of the rice law”, *KUER* 8(1).


—— (1939) “The planning of agricultural production in wartime”, *KUER* 15(1).

