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AN OUTLINE OF THE RISE OF MODERN CAPITALISM IN JAPAN

1. PREFACE

In the Tokugawa period, and in the latter half of that period especially, currency economy developed, resulting in the gradual rise of the *chonin* (merchants) class and the consequent confusion of class distinctions; a circumstance which made inevitable the collapse of a feudal system based on land economy. In other words, conditions conducive to the rise of modern capitalism were already existent in that period. But, at the same time, there were a few factors which operated to impede the rise of modern capitalism.

In the Tokugawa period, commercial capitalism witnessed remarkable development, so much so that in some industries the "Manufaktur" form of management was introduced. But since this development of commercial capitalism was attained, not by the elimination of the *samurai* class, but by the cultivation by *chonin* of closer relations with the Shogunate and the feudal lords, the *samurai* class, despite its inferiority to the *chonin* in economic power, retained much of its political power of control. As a result, the economic activity of the *chonin* class had its limitations. One of these limitations was evidenced in the business transactions between the *chonin* and *samurai* class. And since the principal use made by rich merchants of their amassed wealth was to make loans to samurai, and the prosperity of the *chonin* class depended on the existence of the *samurai* class, the elimination of the feudal system meant the bankruptcy of the *chonin*, rich *chonin* especially. As is usual with feudal society, tradition was held in high regard in that period, and people showed a strong adherence to their ancestral pursuits, there being a general aversion to the idea of embarking on

new enterprises. This was particularly marked in the rich *chonin*. In short, what with the exclusionist policy and other feudal measures adopted by the Tokugawa Shogunate, the sphere of the activity of the *chonin* class was restricted, both qualitatively and quantitatively. As, moreover, the sense of class distinctions was so strong in those days that the superiority of the *samurai* class to all other classes was unquestioningly accepted by the public, the *chonin* class failed to utilize the good opportunity which the development of currency economy afforded them of making a big advance and realizing capitalistic economy. The opening of ports in the closing days of the Tokugawa Shogunate enabled merchants to engage in foreign trade, but before they had time to make the full use of the new opportunity, the Meiji Restoration came.

How, then, did modern capitalism develop in such circumstances? Capitalistic economy means, in effect, one method of economy which aims mainly at the increase of the profits accruing from enterprises and at the enlargement of the enterprises themselves which bring these profits. Here, the development of company enterprises constitutes an important factor. Although capitalistic management is possible in all branches of industry, there is, as a rule, a difference in the stages of development between the section engaged in distribution and the section engaged in production. Capitalistic management in the former section partakes more of a commercial character than does the latter section, and consequently when commercial funds or funds for loans become converted into industrial capital, conversion, so far as the section engaged in distribution is concerned, is effected comparatively easily. On the contrary, for capitalization to take place in the section engaged in production there are prerequisites to be fulfilled in the shape of the creation of the market, the supply of labourers and the development of the industrial arts. Conversion in this section cannot, therefore, be achieved so easily. Such being the case, it is only by stages that industry is capitalized in any country. In any

case, wealth for capitalization and the capitalist spirit are necessary for the attainment of capitalistic economy. Especially as regards industrial capital, it is essential that there are: labourers who have neither means of livelihood nor means of production, technical skill with which enterprises can be conducted on a large scale, and a market for the goods produced. In the following chapters I shall describe how these conditions were fulfilled in Japan in the years chiefly previous to 1884 or 1885.

2. FUNDS FOR ENTERPRISES

As the sources from which the funds for enterprises were obtained in the process of the formation of modern capitalism in Japan, the following may be mentioned: the commercial capital and the funds for loans accumulated in the Tokugawa period, the wealth amassed by feudal lords by levies imposed on the farmers, together with the notes issued, the loans raised and the tax revenue realized by the new Meiji Government through its financial activities.

(A) Commercial capital and funds for loans. It is hardly necessary to explain the process by which commercial capital and funds for loans were accumulated.[1] Part of these accumulated funds furnished the material basis on which the Restoration work was achieved. It was because the new Meiji Government could utilize the wealth accumulated by rich *chonin* and big farmers, and especially because it could make use of the financial power of Osaka merchants, who were said to possess seventy per cent. of the entire wealth of the country, that it could achieve the Restoration work. The millionaires of the day, on the other hand, suffered greatly on that account, and the economic confusion in the closing years of the Tokugawa Shogunate and in the early days of Meiji further diminished their wealth. Though

1) see Prof. Honjo, The Social and Economic History of Japan. 1935. pp. 256 and f.

heavily drained in such a way, their wealth was not exhausted, however; they had still much left. Besides, as I shall explain later on, those who had claims against feudal lords, got their claims secured by the "New" and "Old" bonds issued by the Meiji Government. The wealth in their possession was thus still great. The question is whether their wealth was voluntarily, that is, by dint of their own capitalist spirit, converted into industrial capital. This point will be discussed later.

(B) The wealth amassed by the feudal lords. With the lapse of time, the financial position of the feudal lords (including the Shogunate) in the Tokugawa period, became worse, and in order to replenish their depleted coffers, they resorted to heavy taxation, the issue of notes, borrowings from the *chonin*, the monopoly of provincial products, and the imposition of *goyokin* (loans extorted from rich merchants). Nevertheless, they were able to maintain their position for about 260 years, and, in fact, some powerful *Hans* (clans) could afford to carry out a variety of new economic measures in the closing days of the Tokugawa Shogunate.[2] This shows that the financial position of some feudal lords was not so greatly strained. With surplus wealth in their possession, comprising, in the main, the levies collected from the people in their *Hans*, these lords started enterprises on capitalistic lines towards the close of the Shogunate days. To no small extent the same surplus wealth also supplied the basis for capitalistic enterprises launched after the Restoration. Even judged by the single fact that the fiefs drawn in the feudal days were the standard by which hereditary pension bonds were dealt out by the Meiji Government to the feudal lords and the *samurai* generally, it is obvious that the exactions of the feudal lords from the farmers formed one process of the accumulation of capital.

(C) The Government notes. As one means of extricating itself from its financial difficulties, the Meiji Government

2) see Prof. Honjo, The Social and Economic History of Japan. 1935. Chap. XI.

issued the *Dajōkan* (Government) notes (amounting to 48,000,000 *ryo*) in May of the first year of Meiji (1868) and the Civil Department notes (amounting to 7,500,000 *ryo*) in October of the following year. In order to expedite their circulation the Government loaned them in many quarters. For instance, it loaned them to each *Han* and prefecture in proportion to the amount of their fiefs, so that they might employ these notes as funds for industrial development. It also caused these notes to be used as part of the capital of the Kawase-kaisha (The exchange companies established soon after the Meiji Restoration). In December, 1871, the Government issued "New" notes with the object of withdrawing from circulation the *Dajōkan*, Civil Department and Han notes. On the whole, these notes proved very beneficial to the economic world in the early years of Meiji, though a temporary fall in their value sometimes impeded their circulation. First, they furnished a uniform means of exchange by supplanting the *Han* notes, which not only lacked unity both in design and in value but were in circulation only in limited areas. Secondly, they removed the uneasiness inherent in transactions in which counterfeit or bad money was often employed, besides making up the shortage of new coins. Thirdly, it is worthy of special mention that they were capitalized through investments in enterprises of a new type and were also capable of being converted into capital as currency with a capacity for nation-wide circulation. That they were directly turned into capital is exemplified by the case of the Kawase-kaisha above referred to. The same was the case with the National Banks prior to the revision of the National Bank Act. The National Banks received public bonds (bearing 6 per cent. interest) in exchange for the Government notes given over to the Finance Department, and again handing these bonds over to the Government got bank notes in exchange. The notes issued in this way constituted 60 per cent. of the total amount of issue. Against the remaining 40 per cent. specie reserve was necessary. This means, after all, that the Banks issued bank notes in

lieu of the Government notes. In this way, the Government notes were converted into the capital of the National Banks. In the sense that the Government notes were converted into capital, directly or indirectly, the Government created capital.

(D) Public bonds. The domestic public bonds issued by the Government up to 1878 were of the following eight kinds: *Shin-kōsai* ("New" bonds), *Kyū-kōsai* ("Old" bonds), *Kinsatsuhikikae-kōsai* (bonds issued in exchange for gold notes), *Kinsatsuhikikae-mukimei-kōsai* (unregistered bonds issued in exchange for gold notes), *Chitsuroku-kōsai* (capitalized pension bonds), *Kinroku-kōsai* (hereditary pension bonds), *Kyū-shinkan-haitōroku-kōsai* (pension bonds for former Shinto priests), and *Kigyō-kōsai* (industrial bonds). Both "New" and "Old" bonds were issued by the Government for the purpose of taking over the debts of the deposed feudal lords owing to *chonin*.[3] They not only secured the *chonin*'s bad debts but supplied the bond-holders with funds to invest in industrial enterprises. The bonds issued in exchange for gold notes were for the conversion of the *Dajōkan* notes issued by the Government itself. They served the same purposes as did the "New" and "Old" bonds. The capitalized pension and two other bonds were issued for the purpose of paying in a short period the annuities which would otherwise have remained the permanent charges on the Government. They entailed on the Government the obligation to redeem the principal and interest involved, it is true, but the recipients of these bonds, who received in a lump, though at a discount, what they were otherwise entitled to receive in instalments over a long period, found themselves in possession of much more than they needed for their immediate needs. For this reason, these bonds could easily be converted into capital. The last-mensioned industrial bonds were the first domestic bonds that were offered for public subscription. They served to increase capital funds in two ways. First, the surplus funds in the hands of the public, which were

3) Debts of the Shogunate were not taken over by the Meiji Government.

invested in these bonds, found their way into the Government treasury and then were mobilized for investment in capitalistic enterprises. Secondly, the bonds themselves could be mobilized and converted into capital.

The capitalization of public bonds in the manner described was markedly manifest in regard to the National Banks after the revision of the National Bank Act. The National Banks gave to the Government public bonds equivalent in value to 80 per cent. of the amount of the notes issued, and, receiving in return bank notes of the corresponding amount, put them into circulation, the remaining 20 per cent. being held in reserve in currency (Government notes) for conversion. Thus, the major part of the capital of the Banks consisted of public bonds. Hereditary pension bonds entered particularly largely into the capital of the National Banks as will be seen from the following table:—

Shareholders of the National Banks (in 1880).

Social status.		Amount of shares.	Percentage.
Peers (former Daimyō chiefly)		18,571,750 Yen	44.102%
Samurai		13,417,550 ,,	31.862 ,,
Commoners	Farmers	1,451,950 ,,	3.448 ,,
	Artisans	50,175 ,,	0.119 ,,
	Merchants	6,252,725 ,,	14.848 ,,
	Others	2,366,950 ,,	5.621 ,,
Total		42,111,100 ,,	100.000 ,,

Besides the domestic bonds already mentioned, a nine per cent. foreign loan and a seven per cent. foreign loan were raised in 1869 and 1873 respectively. The former was for the purpose of providing the funds necessary for the laying of railways and the latter for the purchase of hereditary pension bonds with part of the proceeds so as to supply the *samurai* class with business funds. Whatever their objects, the fact remains that the financial activity of the Government in the flotation of these loans resulted in the creation of capital.

(E) Taxation. The tax system was revised, soon after the Restoration, with a view to consolidating the financial

basis of the Government. A most notable example was the revision of the land tax. In the early years of Meiji, with the exception of the first and second years (1868 and 1869), the land tax constituted about 80 per cent. of the total national revenue. Since the tax was paid in kind in those days, as in the former period, the amount of revenue from this source varied according to the state of the year's harvest. Heavy expense was also involved in the collection of the tax. As, moreover, this system of tax collection put the Government to the trouble of converting into money goods paid as tax before defrayals could be made, a new system of tax payments in cash was adopted in 1873, the land tax being assessed at three per cent. of the value of land, this being reduced to 2.5 per cent. in 1877.

It will thus be seen that the original accumulation of capital in Japan was chiefly at the cost of farmers, not by foreign trade or by the exploitation of colonies as was the case with European capitalistic countries. The creation of capital by the Meiji Government as well as the accumulation of wealth by the feudal lords and the accumulation of funds for commercial and loan purposes by the *chonin* was at the expense of the agricultural class.

3. LABOURERS

(A) In Western countries, medieval handicraftsmen are mentioned as having furnished one source of the supply of factory hands. In Japan, it is true, there were many handicraftsmen in urban districts, but their manufactures were mostly luxuries. Necessaries of life such as paper, wax, cotton, etc., were chiefly made by farmers as their subsidiary work. Such being the case, most urban handicraftsmen could maintain their trades even after the Restoration, except in cases where the general mode of living suffered a violent change. From this quarter, therefore, not many factory hands could be obtained.

(B) As another source of the supply of factory hands, the *samurai*, deprived of their regular allowances, might be conceived. Even in the Tokugawa period, many low-class *samurai* took to manual labour to earn a living. The so-called clansmen's industry was carried on by them. This clansmen's industry did much to develop the silk fabrics industry at Daishoji, the cotton fabrics industry at Yonezawa and the umbrella and paper lantern industry at Gifu. The business of breeding gold fish at Kōriyama is said to have been originally started by poor *samurai*. The livelihood of the low-class *samurai* was rendered the more difficult by the reduction of their allowances after the Restoration, and in all prefectures they were urged to become either farmers or tradesmen. They were given public bonds when the Government reduced their feudal allowances, and at the time of the revision of the land tax they were the recipients of title-deeds for their residential land. These grants did not help them much, however, for part of these certificates they had to surrender to their creditors in payment of their old debts, while the remainder were given to money-lenders as security for new debts. In such circumstances, poor *samurai* were inevitably reduced to the position of proletarians.

In those days, the Government established many model factories under official management, with the double object of developing industry and extending relief to poor *samurai* families. For instance, it established a filature at Tomioka, Gumma Prefecture, in 1872, recruiting the female operatives mainly from among the children of *samurai* families in all prefectures. The "Biography of Lord Ōkubo" has the passage: "These girls left their homes (to work at the filature), determined to do their bit for the sake of their country, and their number reached 1,000. The local silk industry was greatly improved in later years until it has attained its present prosperity." A fairly large number of men belonging to the *samurai* families also found employment in the Government factories either as officials or as workmen.

These Government factories, which were intended as "model" workshops, did not aim at profit-making, and their workmen from *samurai* families were treated as technical students rather than as mere labourers. As, moreover, a large proportion of the *samurai* class either started or participated in new enterprises with the public bonds in their possession or became Government or public officials or school teachers, it is doubtful whether the collapse of the feudal system resulted in the creation of many labourers in the initial stage of capitalistic development.

(C) In Europe, especially in England, there happened to be many farmers deprived of their land in the initial stage of the development of capitalism, and these jobless farmers were employed as labourers in capitalistic industries. What, then, was the situation in Japan?

The farmers in the Tokugawa period were not allowed more than a bare existence. The annexation of land which took place in such circumstances created tenant farmers, yet the yeoman farmers constituted a large proportion of the agricultural class at the time of the Restoration. In May, 1872, the law against the perpetual sale of land was abolished and an attempt was made to facilitate the establishment of private ownership in land formerly held in common, a circumstance which increased the possibility of the loss of land by farmers. The revision of the land tax enhanced this possibility greatly. By this revision, private land ownership was established, and the interests of land-owners received greater official protection than those of tenant farmers. On the other hand, it increased the chances of the loss of ownership. For the payment of the tax in cash, which was the main object of the revision, stimulated the conversion of agricultural products into other commodities, and thus brought the economic life of farmers, to which fluctuations in prices are particularly disadvantageous, into the arena of the price economy. The inflation after the *Saigō* Rebellion of 1877 and the deflation which succeeded this inflation hastened this process. During the inflation period, there was a sharp rise in

the prices of agricultural products, which increased the purchasing power of the farmers and brought prosperity to the urban districts also. But the debts contracted by farmers for the purchase of land and the luxurious habits acquired during this period were bound to affect the livelihood of the farmers seriously when the deflation came. It was in this period, that the concentration of land in the hands of big landowners progressed promptly and the number of tenant farmers witnessed a remarkable increase in this country.

The loss of the means of production on the part of small farmers meant the deterioration of their lot into that of proletarians. However, partly because of their attachment to farm work and partly because heavy industries which require male labour had not yet been developed, these poor farmers did not immediately become factory workers; but many women became operatives in the numerous cotton mills which sprang up at the end of the deflation period. There are even indications that many of these spinning factories were started chiefly because there was a plentiful supply of potential operatives. Thus, it will be seen that the revision of the land tax played an important part in splitting up the farming class and in creating factory workers. It would be too hasty to conclude, however, that the decrease of 518,000 farm families between 1883 and 1886 meant that all of these farmers became factory workers in urban districts. Not only are these figures somewhat doubtful, but there is reason to believe that not a small part of these farmers went to Hokkaido and Hawaii to settle.

4. CAPITALIST SPIRIT

As I have stated, a certain number of years intervened between the accumulation of capital and the rise of a labouring class, a pre-requisite for the investment of accumulated capital in the production section of capitalistic industry. In my opinion, the capitalization of the section engaged in production became active, generally speaking, about 1885 and

1886, when the redemption of inflated paper money was completed. Accordingly, it seems likely that the original accumulation of capital, which was necessarily accompanied by the process of the creation of a labouring class began about the same time. The capitalization of the section engaged in distribution commenced earlier, however, as witness the capitalistic management of monetary organs like the Kawase-kaisha and the Tsūshō-kaisha (the trading companies of the early days of the Meiji era) and organs of transport such as the Kaisō-kaisha (a forwarding company of the same period) and the Japan Railway Company (Although, in a strict sense, the transport business belongs to the production section, I have grouped it with the monetary organs in the sense of distinguishing it from manufacturing industry). Let me now make a few remarks as to how capital accumulated in the manner already indicated was mobilized for these enterprises, or, in other words, how the capitalist spirit was engendered.

As already mentioned, the capitalist spirit was slow to develop among the *chonin*. It is true that the capitals of the Tsūshō-kaisha and the Kawase-kaisha was chiefly put by *chonin*, but their subscription of capital was not voluntary, but was on Government prompting. Again, the management of these companies was largely in the hands of individuals who belonged to *samurai* families. The following remark attributed to the late Viscount Eiichi Shibusawa shows that it was the lack of the capitalist spirit among the *chonin* of the day that prompted him to decide to retire from the Government service and enter the business world:—

"I thought that with the *chonin* in the mood they were in, it would be impossible to develop the commerce and industry of the country, no matter what the Government might do in the way of enacting the currency law, revising the land tax rates, promulgating the company law and helping industrial enterprises. This consideration made me resolve to leave the Government service to devote myself to commerce so as to take the lead in vitalizing the commercial

world and helping forward the commerce of the country."

Nor does it seem that rich farmers had any capitalist spirit. This spirit was strongest among those belonging to the *samurai* class, a fact which can easily be inferred from the personnel of the Meiji Government, which was constituted by those of the *samurai* class, and from the way in which the capitalistic enterprises were launched in the early years of Meiji. Prince Iwakura remarked: "Men belonging to *samurai* families can turn themselves to anything by the aid of the sturdy spirit fostered in them for generations, can bear up under difficulties with a fortitude assiduously cultivated, and can compete with foreigners by dint of their unfailing energy. Indeed, people of the *samurai* class are best suited for the task of developing all branches of science and advancing the enterprises of the State . . . As to the people of the classes other than the *samurai*, it will still be twenty or thirty years before they can make themselves sufficiently progressive and efficient to compete with foreigners." Prince Iwakura's eulogy of the *samurai* class is perhaps somewhat exaggerated, but it nevertheless contains much truth.

How was it, then, that this capitalist spirit was cultivated in the *samurai*? It was chiefly among the *samurai* that the new Western learning was disseminated after the embargo on the importation of Western books was lifted by Tokugawa Yoshimune, the eighth *Shogun* (1716—1745). The study of Western learning was especially active among the low-class *samurai*, who stood in need of something by which to improve their scanty livelihood. This earnest study of Western learning bore fruit in providing some part of the guiding spirit of the Restoration and in the industrial policy of the Meiji Government. In the Tokugawa period, their capitalist spirit was already in evidence. For instance, some *Hans* (clans) started Western-style industries towards the close of the Shogunate. True, most of these industries were launched for the purpose of providing efficient armaments, but some had other objects in view. The motive actuating the *Kagoshima Han* in starting the spinning industry was the desire

to prevent the importation of Western cotton yarn, while the *Saga Han* attempted the development of collieries in collaboration with British capital. The economic distress to which the *samurai* class was reduced in the Tokugawa period served to stimulate and foster by degrees the capitalist spirit in themselves. In this sense, it may be said that Japanese capitalism, had germinated already in the Tokugawa period.

The section of the *samurai* class that did not take an active part in politics entered the business world. Many of these failed miserably in their new ventures, but the capitalist spirit which they displayed in trying their hands at company enterprises did much to arouse public interest in such enterprises. The general sentiment among the *samurai* in those days was that if new occupations must be chosen, they should turn to novel industries and undertakings not yet tried by *chonin* or farmers. Prince Iwakura was quite right when he declared that the *samurai* class alone had the capitalist spirit.

5. INDUSTRIAL ARTS AND MARKETS

The other important pre-requisites for capitalistic economy—for the capitalization of production especially—are the progress of industrial arts and the creation of markets.

Industrial arts applicable to the capitalistic management had to be imported from advanced countries, as circumstances did not permit of awaiting their natural development in this country. Their importation had already taken place in the closing days of the Tokugawa period, as is shown by the initiation of Western-style industries by the Shogunate and several *Hans*. After the Restoration, new industrial arts of various kinds were imported. One noteworthy fact is that both during the Tokugawa régime and in the early years of Meiji the importation of industrial arts was chiefly made by the Government authories. Although their underlying motives were to strengthen armaments and promote industrial development, it is necessary not to ignore the fact that there

existed in the country, as already stated, both accumulated capital and the capitalist spirit.

After the Restoration, new industries were started by private interests also, but what was the state of markets for manufactured goods? In those days, the Government itself and foreign countries formed the important markets. To all intents and purposes, the paper mills existed for the manufacture of paper for title-deeds, post-cards, and the like. The sulphuric acid industry exported most of its manufactures to China, though the Mint and the Government Printing Office took some of its output. The match industry depended on the Chinese market for its development. Again, it is superfluous to say that the silk industry aimed at the American market. In the meantime, the domestic market was gradually formed, stimulated by the policy adopted by the Government to abolish many feudal restrictions. The rapid incursion of the currency economy into rural life in consequence of the revision of the land tax and the inflation after the *Saigō* Rebellion further stimulated this tendency. However, it was rather the industries of advanced countries which exploited the Japanese market. Cotton yarn, for instance, was largely imported from abroad. In order to oust these foreign goods from the Japanese market, the Government took measures to develop the spinning industry and others in this country.

Thus viewed, it will be seen that the development of new industries in Japan in the early years of Meiji was seriously impeded by the lack of markets. Despite the importation of new industrial arts at a comparatively early date, great effort was still needed to gain the markets that were necessary to put the new industries on a secure basis. Endeavours in this direction were made mainly by the Government during the first twelve years of Meiji, and the object in view was advanced by the capitalization of the section engaged in distribution. It was thus after the redemption of inflated paper money that the capilalization of production was put on the road to steady development. In this connection, it is, of course, necessary to take due note

of the rise of a labouring class, to which reference has already been made.

6. CONCLUSION

In the preceding chapter I have described the state of capitalism in Japan, with due reference to the various factors in capitalistic economy, in the days up to the completion of the redemption of inflated paper money. To sum up, first, the accumlation of capital was, to a large extent, effected by the play of non-economic forces and through the financial activity of the Government authorities. The accumulation of the funds for commercial and loan purposes by the *chonin* in the Tokugawa Shogunate was also largely dependent on the financial activity of the feudal lords. Secondly, in the process of this accumulation of capital, the interests of farmers were sacrificed, which virtually marks the beginning of the down-hill course along which many farmers were driven until in later years they were turned into proletarians. Thirdly, the capitalist spirit manifested itself more vigorously among the *samurai* than among the *chonin*, and this spirit, backed by capital, brought many capitalistic enterprises into being. Fourthly, although new industrial arts was imported into Japan at an early date, the narrowness of the market available caused much delay in the capitalization of the section engaged in production.

In Japan, as the accumulation of capital by foreign trade and by the exploitation of colonies was practically nil, the Government itself had to mobilize the necessary funds. The *samurai* class supplied the leaders of capitalism and the managers of business. In this way, the class that ruled politically in the Tokugawa period ruled economically in the post-Restoration days. If *chonin* desired to embark on capitalistic enterprises, it was necessary for them to combine with the *samurai* class. There was this sort of combination already in the Tokugawa period, but after the Restoration such a union received a fresh impetus as a combination of

of capital and political power. This presents one prominent feature of the process of the formation of modern capitalism in Japan. As already mentioned, the accumulation of capital was achieved largely at the sacrifice of agrarian interests, and especially after the revision of the land tax, small farmers drifted further from capitalism, though some of the more favoured farmers were enabled to become potential capitalists. This sacrifice of native agrarian interests in its development is another outstanding feature of Japanese capitalism. Lastly, Japanese capitalism was brought into existence, stimulated by the capitalist economy of advanced countries with which Japan came in contact towards the end of the Tokugawa period. This is one reason why capitalism in Japan was introduced by official efforts. It must, however, be added that the foundation on which capitalism was erected was prepared, though only inadequately, before the Restoration in the accumulation of capital and the nurture of the capitalist spirit. The weakness of this foundation was another reason for the official encouragement of the growth of capitalism. In spite of all the efforts made by the Government, however, the capitalization of the section engaged in production came much later than the capitalization of the section engaged in distribution. Japanese capitalism previous to 1885 or 1886 may well be regarded as constituting an age of preparation for the balanced development of capitalism.

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