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On Socio-Institutional Conditions of Japan's Modernisation

Susumu Watanabe *

I. INTRODUCTION

Few informed people today talk about the "Japanese miracle", referring to the economic development of the country since the mid-19th century. When it reopened its door to Western powers and launched its programme of modernisation (i.e. the absorption and assimilation of Western science and technology as well as social institutions), it had a fairly well prepared basic infrastructure.¹ The feudal clan economies were linked with the national markets of Osaka and Edo (Tokyo after 1868), to exchange rice and other agricultural and handicraft products with cash. Nationwide road and waterway systems had developed partly for such trade and partly because each feudal lord and his family travelled back and forth between their province and Edo once every three years as required by the Tokugawa Shogunate (1603-1868). The administrative and taxation systems ran from the central and local governments (i.e. the Shogunate and the clan governments) down to the group of five households (*Gonin-gumi*) in the remotest villages. Modern commercial practices of the West had their counterparts in late Tokugawa Japan: cash sales at fixed prices, business partnerships, credit institutions, book-keeping, etc. Dore estimates that 43 per cent of Japanese boys had some kind of schooling in 1868.² Regarding its industrial capability, Rutherford Alcock, the first British consul to Japan, repeatedly noted "the Japanese genius" for obtaining the maximum possible returns from the minimum time and materials, using the simplest methods and making the best use of nature.³ He further reported that:

* The views expressed in this paper are the author's own. They are not necessarily shared by the International Labour Office.

¹ See M. MIYAMOTO, Y. SAKUDÔ, and Y. YASUBA, "Economic development in preindustrial Japan, 1859-1894", *The Journal of Economic History*, December 1965.

² See R. P. DORE, *Education in Tokugawa Japan*, London, Routledge and Kegan Paul, 1965, p. 321.

³ R. ALCOCK, *The Capital of the Tycoon: A Narrative of a Three Years Residence in Japan*, in two vols., London, Longman, Green, Longman, Roberts and Green, 1863, Vol. I, Chs. 15 and 20, and Vol. II, Ch. 13. It is interesting to note that an American engineer has quite recently

"... but for the fact that their mechanical appliances are inferior, as well as their knowledge of the applied sciences connected with mechanical industry and arts; they may rightly claim a place with nations of European race. As it is, if the policy of the rulers permitted freer intercourse and trade, so as to bring them in competition with Birmingham or Sheffield, and Manchester, notwithstanding all our advantages of funded knowledge and civilisation of a higher order; — our steam and river machinery, and the marvellous perfection to which all mechanical appliances have been brought; I believe the Japanese would hold their own, send out swords and cutlery to rival Sheffield, and silks and crapes to compete with Macclesfield or Lyons in the markets of the world; — cheapness of material and labour, with natural ingenuity and skill, compensating the difference in machinery. Of course they would copy and take hints; for they have little of the stupid conceit of the Chinese, which leads them to ignore or deny the superiority of foreign things. On the contrary, they are both eager and quick to discover in what it lies, and how they may make the excellence their own."⁴

In retrospect, his assessment was amazingly accurate.

Opening of the country to the Western powers meant a resumption of foreign trade, which had been discontinued since 1639 after existing for nearly a century. The Meiji Restoration of 1868 abolished restriction on freedom of movement, choice of occupation and trade. Consequently, the modernisation of Japan started and advanced with an energy which Lockwood compares to the bursting of a dam under the pressure caused by the release of long pent-up forces.⁵

The speed of Japanese modernisation was fast. To take the record of the patent system as an example, within five years after the establishment of a modern patent system in 1885, the number of applications by Japanese surpassed 1,000 per year. The number rose to 3,121, 6,082 and 9,662 in the first, second and third decades of this century, respectively. Compare this with the situation in India, where the annual number of applications by the Indian citizen remained at just over 1,100 in the 1970s, or 120 years after the establishment of the patent system.⁶

The existence of basic infrastructure, however, is a factor facilitating, but not determining, the speed of modernisation. A sudden outburst of national enthusiasm for industrialisation and modernisation has often been attributed to non-economic and socio-psychological factors. After a review

pointed out a similar characteristic of Japanese firms in discussing the application of industrial robots and NC (numerical control) machines. See W. SEERING, "Robotic, numerical control and the computer", in S. WATANABE (ed.), *Microelectronics, Automation and Employment in the Automobile Industry*, Chichester (Sussex), John Wiley, 1987.

⁴ R. ALCOCK, *op. cit.*, Vol. II, pp. 259-60.

⁵ Cf. W. W. LOCKWOOD, *The Economic Development of Japan*, Princeton, N.J., Princeton University Press, 1968, p. 5.

⁶ See S. WATANABE, "The patent system and indigenous technology development in the Third World", in J. JAMES and S. WATANABE (eds.), *Technology, Institutions and Government Policies*, London, Macmillan, 1985, pp. 231-2 and 236-7. India's population in the mid-1970s was almost 20 times as large as Japan's in the mid-1880s.

of the experiences of European countries, Gerschenkron states that "In a backward country the great and sudden industrialisation effort calls for a New Deal in emotions", although "in an advanced country rational arguments in favour of industrialisation policies need not be supplemented by a quasi-religious fervour."⁷ With regard to Japan, Alfred Marshall made the following comments as early as 1921:

"... the singular power of self-abnegation, which the Japanese combine with high enterprise, may enable them to attain great ends by shorter and simpler routes than those which are pursued where many superfluous comforts and luxuries have long been regarded as conventionally necessary. Their quick rise to power supports the suggestion, made by the history of past times, that some touch of idealism, religious, patriotic or artistic, can generally be detected at the root of any great outburst of practical energy."⁸

In his recent book, Morishima convincingly argues that the Japanese were essentially motivated by a "defensive nationalism for the sake of survival" based on Confucianism and Shintoism.⁹

The role of the traditional value system, notably Confucianism, in the Japanese modernisation has been stressed by many other authors as well,¹⁰ e.g. with reference to the leaders' disinterested service to the nation and the Japanese workers' discipline and devotion to their work. Records left by contemporary observers of late Tokugawa and early Meiji Japan, however, suggest that different social groups had varied perceptions of life and that they were motivated differently. This is natural because even in the mid-19th century, education received by (part of) the populace was confined to the three Rs, while the Samurai (feudal warrior) class, the priests, and wealthier merchants and farmers had extensive education (based on Japanese and Chinese classics). They also had entirely different social functions, generation after generation for two and a half centuries.

The purpose of the present paper is to explore the socio-cultural background of Japanese society in the mid-19th century, and examine how the

⁷ A. GERSCHENKRON, *Economic Backwardness in Historical Perspective: A Book of Essays*, Cambridge, Mass., Harvard University Press, 1962, pp. 24-5.

⁸ A. MARSHALL, *Industry and Trade*, London, Macmillan, 1921, p. 161. The experiences of China and the Republic of Korea in the last few decades also suggest that the development process could be accelerated considerably through moral suasion which urges individual citizens to contribute to the nation's advancement.

⁹ See M. MORISHIMA, *Why has Japan "Succeeded"? Western Technology and the Japanese Ethos*, Cambridge, Cambridge University Press, 1982, p. 16.

¹⁰ Horie, for example, argues that: "The essence of Confucianism lay in its political ethic of authority and responsibility, and it was studied in Japan not only by scholars but also by the common people, so that the foundation for a truly national morale was provided. More concretely, its contribution to Japan's modernisation lay in three aspects: first, it cultivated the intellect, being rational in its interpretation of the universe; second, it valued knowledge for practical use, thus training the people more readily to accept Western science and technology; and third and most important, as interpreted in Japan, it served to bolster the nationalism of the Japanese people" (Y. HORIE, "Modern Entrepreneurship in Meiji Japan", in W. W. LOCKWOOD (ed.), *The State and Economic Enterprise in Japan*, Princeton, N. J., Princeton University Press, 1965).

leaders motivated by the traditional "Samurai spirit" managed to persuade the populace to accept and implement the long-term development goals and strategies they chose. The question should be of more than historical interest, because many a development plan in today's Third World fails because the planners do not succeed in mobilisation of the general public.

The rest of the paper consists of four sections. Section 2 will briefly discuss the historical background of the Japanese "defensive nationalism", for those readers who are not familiar with the history of Japan. Section 3 will concern the influence of the traditional value system on the Japanese leaders, while Sections 4 and 5 will explore, respectively, how the populace was trained for modern industrial work and how Japanese workers have been motivated to become "loyal" and "devoted". In the concluding section, we will consider the Japanese "defensive nationalism" in the present day context and implications of Japanese experiences for Third World countries.

2. HISTORICAL BACKGROUND

Japan's first direct contact with the West took place in 1543, when a Portuguese ship was wrecked off Tanegashima, at the southern tip of Kyushu.¹¹ The Portuguese carried firelock muskets with them, which the Japanese named "tanagashima" after the island. In 1549, a Portuguese Jesuit missionary, Francis Xavier, brought Christianity to Japan, followed by many more missionaries over subsequent decades.

For approximately a century starting in 1467 there was a period of feudal anarchy. Provincial heads of Samurai fought against one another to protect and expand their territories with the ultimate aim of attaining national hegemony. Subordinates killed their masters, and Samurai lords' family members fought with each other. In brief, this was the time of social tumult, when one perceives little trace of Confucian influence. The gun was to become the key to national mastery within three decades when they were used in volley tactics by Oda Nobunaga, who also eliminated the secular influence of Buddhist temples for ever by destroying a number of armed temples. The civil war ended in 1573, and the country was reintegrated. After 1603, the Tokugawa Shogunate in Edo ruled the whole country, by strongly controlling the provincial Daimyôs and keeping the Emperor in Kyoto as the symbolic head of the nation.

As Toynbee points out, the Japanese leaders "might not have objected to giving a free field to another religion if they had not suspected the Western Christian missionaries' religious activities of having an ulterior

¹¹ Earliest evidence of Japan's indirect contact with the West (a number of products from Persia) is found in the Imperial treasury of Hôryûji Temple in Nara, which was built around the turn of the 6th to the 7th century.

political motive.”¹² But their persecution started within half a century after their arrival in this country. In 1637, peasants in Amakusa rebelled against the tyrannical clan government under the leadership of Christian *Ronin* (impoverished masterless Samurai). Their strength was more than the clan government could cope with, and the Shogun had to send reinforcements. This incident brought to a head the fear and suspicion which the Samurai regime had had against the missionaries for some time. The country was officially closed to the outside world until the mid-19th century.

However, the Dutch and the Chinese were permitted to come to Nagasaki in order to provide information about the world situation and western civilisation. They were sometimes invited to Edo to report on the world situation to the Shogun. It was from them that the Japanese leaders learnt about the Opium War (1840) and China's bitter experience. In 1720, the ban on the importation of books was lifted except those related to Christianity. Many important books were translated from Dutch: Vesalius' *Anatomy* in 1774, Copernicus' heliocentric theory in 1791, Newton's dynamics in 1798, Linné's *Systema Naturae* in 1829, Lavoisier's *Chemical Revolution* in 1839, etc. Such revolutionary doctrines as those of Copernicus and Darwin met with no resistance.

The isolation and peace during two and a half centuries helped the development of many elements of Japanese cultural and social tradition. Probably two of them are the most important in our context. The first is *Bushido* or the code of conduct of the Samurai as the ruling class. As a synthesis of Buddhism, Confucianism and Shintoism, it demanded of the Samurai strict self-discipline and selfless loyalty and devotion to their master (and the community under the latter's control).¹³ The second is *Kokugaku* (Study of Japan). The Togugawa Shogunate encouraged the study of the Confucian philosophy. The orthodox interpretation as it had been formulated in China in the 12th century by Chu Hsi (Shushi in Japanese) was especially influential. Interest in Confucianism led to a revival of historical studies, including those of the Shintoist myths and legends.¹⁴ A highly nationalistic interpretation developed to the effect that the country was the land of the Sun Goddess (whose descendents were the Emperors) and that it was the sacred obligation of the people to protect the country.

By the early 19th century, Western gunboats (“*Kurofuné*”) had begun to appear in Japanese waters, demanding access to supplies, first the Russians and subsequently all of the big powers of the period (Britain, France, the Netherlands and the United States). A couple of skirmishes in Shimonoseki and Kagoshima demonstrated the enormous military superiority of the

¹² A. TOYNBEE, *The World and the West*, London, Oxford University Press, 1953, p. 57.

¹³ For an indepth study on *Bushido*, see I. NITOE, *Bushido: The Soul of Japan*, Tokyo, Kenkyūsha, 1935. This book has recently been reprinted by C. E. Tuttle Co., Tokyo.

¹⁴ See E. O. REISCHAUER, *Japan, The Story of a Nation*, Tokyo, C. E. Tuttle, 1970, pp. 90-91 and 108-111.

West based on modern technology. In 1858 Japan was forced to sign treaties which denied her tariff autonomy and provided for extra-territorial rights for the Europeans (including the Russians) and the Americans. The Japanese import duty was reduced from 20 per cent as a rule to 5 per cent in 1867 and was kept at that level until the revision of those "unequal treaties" in 1911, i.e. six years after Japan's victory in the Russo-Japanese War.

To the Japanese leaders — mostly from the lower Samurai class — revision of the unequal treaties became the supreme goal, and to "Enrich the Nation and Strengthen the Army" was considered to be the only way of achieving it. For this, the national integrity had to be recovered and strengthened, since it had been considerably weakened as a result of power struggles between pro- and anti-Western Samurai groups and subsequently between pro- and anti-Shogunate groups. Hence the Meiji Restoration or return of political leadership from the Shogunate to the Emperor. Okuma, one of the political leaders of the period, wrote as follows:

"Although there were many reasons for the Restoration reforms, it was the diplomatic question that offered the most immediate and greatest incentive... If, at that time, the foreign problems had not been present... it is still hard to see how the Shogunate would have been overthrown and imperial rule restored. It would also have been difficult to dismantle the feudal system or to set up a system of prefectural government, to say nothing of the problems that would have been met in organising the Meiji government."¹⁵

The Emperor system tempered disputes and fostered co-operation among those involved in the internal struggle for power in the new government, sparing Japan the tragedy of revolutions and counter-revolutions.¹⁶ The opposition powers were treated liberally so that they could contribute to the national advancement.

If the Meiji Government had attempted to build up a modern state on a totally new ground, however, the transition would have been less easy. What it really did was to adapt the Western system to the traditional Japanese climate after abolishing the privileges of the former ruling class. Thus, elements of the feudal institutions were retained:

"Judged by the standards of a liberal democrat, much was left undone, but the exigencies of the historical situation, that is to say, the fact that Japan had to create in a generation what other nations had spent centuries to accomplish — meant that Japan had not the time to afford such luxuries as liberal institutions. Japan skipped from feudalism into capitalism omitting the *laissez-faire* stage and its political counterpart, Victorian liberalism. Thus *speed* was a determining element

¹⁵ Quoted in K. TAKAHASHI, *The Rise and Development of Japan's Modern Economy: The Basis for "Miraculous" Growth*, Tokyo, Jiji Tsushin-sha, 1969, pp. 14-15.

¹⁶ Ibid., pp. 23-4. In a way, one may say that the Emperor system played the same role in Meiji Japan as Ruth Benedict attributes to it in explaining why the Japanese accepted the American Occupation Administration so quietly after the Second World War. (see R. BENEDICT, *The Chrysanthemum and the Sword*, Boston, Houghton, Miffling Company, 1946).

in the form which modern Japanese government and society assumed... The autocratic or paternalistic way seemed to the Meiji leaders the only possible method if Japan was not to sink into the ranks of a colonial country."¹⁷

As Morishima writes, "a forced march was begun in Japan to do away with the military and scientific technological disparities which existed between Japan and the West."¹⁸ One result has been the peculiarly Japanese capitalism which is nationalistic, paternalistic and anti-individualistic.

3. THE ROLE OF THE "SAMURAI SPIRIT"

"The Samurai spirit was no less important — indeed it was more important — than the Emperor system in its basic contribution."¹⁹ The Samurai-led Meiji Government stripped the feudal ruling class of all the economic, political and social privileges to pave the way for rapid modernisation of the country. In their traditional spirit of service to the public and undoubtedly following the feudal tradition of obedience to the authorities, the ex-Samurai accepted it, although not entirely without resistance.

The ex-Samurai class accounted for no more than 6.5 per cent of the total population (1.2 million out of 30 million), but they were the leaders not only in the government but also in the academic and business worlds. The Samurai bureaucrats in the Shogunate and clan governments provided the new government with efficient organisation men. Trained in the traditional culture of *Bushido*, they had a lofty sense of pride and responsibility. In 1881, 68 per cent of the graduates from Tokyo University were from this class. So were over 70 per cent of the people who received a doctorate between 1888 and 1902.²⁰ In 1880, 32 per cent of the shares of the national banks was owned by ex-Samurai, while 44 per cent was contributed by peers, mostly former Daimyô and court nobles (*Kuge*).²¹

The role of the ex-Samurai class at the vanguard of modernisation may be illustrated with reference to the following experience at the Tomioka silk factory, which the Government built as a "model factory". A set of reeling machinery and a group of instructors consisting of three engineers and four female reelers were brought from France. It was, however, difficult to persuade Japanese girls to come to learn from them, partly because of

¹⁷ E. H. NORMAN, *Japan's Emergence as a Modern State*, New York, Institute of Pacific Relations, 1940, p. 47.

¹⁸ M. MORISHIMA, *op. cit.*, p. 18.

¹⁹ K. TAKAHASHI, *op. cit.*, p. 27.

²⁰ *Ibid.*, p. 173.

²¹ See E. H. NORMAN, *op. cit.*, p. 100. See also J. HIRSCHMEIER, "Shibusawa Eiichi: Industrial Pioneer", in W. W. LOCKWOOD (ed.), *The State and Economic Enterprise*, *op. cit.*

the rumour that the wine the French drank contained young girls' blood. Odaka, an ex-Samurai in charge of the project, sent his own daughter to Tomioka in order to disprove the rumour.²²

The Samurai spirit had been shared by some commoners, especially wealthier merchants and farmers who had gained influence during the Tokugawa (Edo) period. They studied Chinese and Japanese classics, and kept close contact with Samurai bureaucrats, serving them as marketing agents of rice and other clan products, providing loans for the increasingly impoverished Samurai class and acting as grass-root level administrative organisers in towns and villages. Some of them enjoyed a social status similar to the Samurai's and were entitled to have a family name and to carry a sword. Sharing the Samurai spirit of service to the public, after the Meiji Restoration they invested their capital in business ventures and often provided talented sons of poor families with funds for higher education just as ex-Daimyô did. However, such public-minded people were rare, although, in terms of number, a larger proportion of the Meiji entrepreneurs were from outside the ex-Samurai class.²³

As a result of the sudden abolition of *Kabunakama* (feudal guilds) and liberalisation of internal and external trade, the traditional commercial code collapsed. This appears to have been especially the case with external trade, partly because few of the wealthier merchants were interested in foreign trade, probably in view of the great risk. An attaché at the British consulate reported:

"At Yokohama... the foreign merchants had chiefly to do with a class of adventurers destitute of capital and ignorant of commerce. Broken contracts and fraud were by no means uncommon. Foreigners made large advances to men of straw for the purchase of merchandise which was never delivered or ordered manufactures from home on the account of men who, if the market fell, refused to accept the goods that would now bring them in only a loss. Raw silk was adulterated with sand or fastened with heavy paper ties, and every separate skein had to be carefully inspected before payment, while the tea could not be trusted to be as good as the sample. Now and then, a Japanese dealer would get paid out in kind, but the balance of wrong-doing was greatly against the native, and the conviction that Japanese was a synonym of dishonest trader became so firmly seated in the minds of foreigners that it was impossible for any friendly feeling to exist".²⁴

²² M. YOSHIDA, *Gijutsu to Nihon Kindaika* (Technology and modernization of Japan), Tokyo, Nihon Hôshô Shuppan Kyôkai, 1977, p. 74, and H. ARISAWA et al., *Nihon Sangyô Hyakunen-shi* (A century's history of Japanese Industry), Vols, II, Tokyo, Nihon Keizai Shimbun-sha, 1967, vol. I, p. 47.

²³ See H. MANNARI, *Bijinesu-Erito* (The business élite), Tokyo, Chûô Kôron-sha, 1965; T. C. SMITH, "Landlords' sons in the business élite", *Economic Development and Cultural Change*, October 1960; and J. ABEGGLEN, A. D. LITTLE and H. MANNARI, "Leaders of modern Japan: Social origins and mobility", *Economic Development and Cultural Change*, October 1960.

²⁴ E. SATOW., *A Diplomat in Japan* (London, Seeley, 1921), in *Asia Historical Reprint*, Oxford, Tokyo, Oxford University Press, 1968, pp. 22-3.

Even Alcock, who spoke so highly of Japanese craftsmen and farmers, declared that Japanese merchants were the most dishonest in Asia.²⁵

This means that an attitudinal revolution was needed in two directions. On the one hand, businessmen's mentality had to be changed. In this domain, the greatest contributor was Shibusawa Eiichi, who proclaimed Bushido as the "way of the new merchant", and urged that a modern businessman had to combine the Analects of Confucius with the abacus.²⁶ On the other hand, the traditional contempt of money-making which was reflected in the lowest status of the merchant in the Tokugawa caste system was to be removed. The most outstanding contributor on this front was Fukuzawa Yukichi, the founder of Keio Gijuku University and the newspaper Jiji Shimpô, who argued that the greater the desire of the money-makers, the richer the nation would grow and that rich people's money-making activities, therefore, ought not to be despised, but respected even when they were motivated by personal interest.²⁷

The concepts of "Samurai in spirit and businessman in talent" and "service to the nation through industry" gradually became part of the Japanese entrepreneurial mentality, which has been characterised as the "community-centred entrepreneur" by Ranis; it has also been argued that "the basic cornerstone of the later rapid formation and development of Japan's economy was first laid when this revolution in the mental attitude toward the economy took place".²⁸

The effort at such "revolution" appears to have been assisted significantly by the wars with China (1894-95) and Russia (1904-5). Japan fought the Sino-Japanese War without relying on foreign loans. The business community bore the burden. This opened the way to the granting of peerages to businessmen. As a result of the victory in the first war, Japan recovered her control over her international trade which had been in the hands of foreign trading firms. After the two wars, the business world became strong enough to overshadow the most powerful of the ex-Daimyô: while four (including the top three) out of the ten largest contributors to the maritime defence funds in 1887 were ex-Daimyô, the ten largest contributors to the Imperial Gift funds in 1911 were all from the business world. It became increasingly necessary for the government to formulate and implement policies in consultation with the business men. In the meantime, the level of salaries in the private sector surpassed, and became much higher than, those of government officials, especially after the turn of the century, partly as a result of the salary freeze in the government. Thus, the social status of

²⁵ R. ALCOCK, *op. cit.*, Vol. II, ch. 12.

²⁶ See J. HIRSCHMEIER, *op. cit.*

²⁷ Y. FUKUZAWA, *Bummeiron no Gairyaku* (On civilisation) (1875), Tokyo, Iwanami, 1962, p. 78.

²⁸ Cf. G. RANIS, "The community-centered entrepreneur in Japanese development", *Explorations in Entrepreneurial History*, Cambridge, Mass., Harvard University Press, 1956, Vol. III, No. 2; K. TAKAHASHI, *op. cit.*, p. 78.

businessmen rose considerably after the Sino-Japanese War and especially after the Russo-Japanese War,²⁹ and the traditional high esteem of posts in the government and contempt for positions in the private sector gradually disappeared.

4. DEVELOPMENT OF THE MODERN INDUSTRIAL WORKFORCE

Such national leaders and the community-centered entrepreneurs could have achieved little, unless the populace and workers (including small entrepreneurs) accepted their ideas and cooperated actively. In this context, it should be stressed that the "disciplined", "devoted", or "loyal" workers of Japan are a product of modern times.

Under the Tokugawa feudal regime, thrift, diligence and obedience to the authorities had become second nature the Japanese populace, not so much through the Confucian influence as through heavy taxes and law, which was enforced with justice but violently.³⁰ Still, the general way of life appears to have been carefree. Foreign technical advisers who helped to establish a modern industrial base in Meiji Japan very often lamented the lack of industrial discipline (e.g. punctuality and regular attendance) among workers, who were not used to a fixed and regular work schedule.³¹ Japan was predominantly a country of family farms, family workshops and family stores as late as the 1920s (and to an important degree this is still the case today), due to "a deep-seated antipathy to paid employment as a way of living. People would offer themselves in the market only as the last resort and would get out of it as soon as prospects improved for proprietorship."³²

This is, in fact, what one would anticipate in view of the conditions of Japanese society at the end of the Tokugawa period. Although he believes that "Japanised Confucianism" had an influence on the whole nation, Morishima also writes that "Samurai were expected to excel in the moral virtues of loyalty, righteousness and propriety; they gained honour as the

²⁹ See K. TAKAHASHI, *Nihon Kindai Keizai Hattatsu-shi* (A history of development of the modern Japanese economy), Tokyo, Tōyō Keizai Shimpōsha, 1973, Vol. II, ch. 1, especially pp. 42-6 and 106-116. After the Restoration, government officials received very high salaries partly because officials from the lower Samurai class had to maintain their prestige vis-à-vis ex-Daimyō and higher ranked Samurai outside the government, and partly for the purpose of preventing corruption which was common in the Tokugawa period (Ibid., pp. 7-11). In the course of time, however, the high salaries of the government officials became a target for criticism and remained frozen for a long time.

³⁰ See R. ALCOCK, *op. cit.*, and W.J.C.R.H. VON KATTENDYKE, *Nagasaki Kaigun Denshūjo no Hibi* (A diary at the Nagasaki Navy Training School), a Japanese Translation from Duchth, Tokyo, Tōyō Bunko, 1964.

³¹ See M. YOSHIDA, *op. cit.*, pp. 76-80.

³² K. TAIRA, *Economic Development and the Labour Market in Japan*, New York, Columbia University Press, 1970, pp. 2-3 and 184-6.

ruling class because of their moral training ... The populace, on the other hand, were despised because they did not need to practise Confucian ethics ... the ethical burdens of Tokugawa society were not evenly shared between the educated Samurai and the uneducated populace. Confucian elitism prevailed in one group, and a lively and cheerful feeling in the other."³³ Foreign residents towards the end of the Tokugawa period left some supporting evidence.³⁴

From the very beginning of the modernisation process, the Japanese leaders were aware of the crucial role of education not only for the absorption of Western wisdom but also for the development of an adequate mentality for national development among the populace. Katsu Kaishû, one of the key figures in the Meiji Restoration, who remained influential in the post-Restoration enlightenment campaign, said that "the Japanese need to be determined to work for the national interest and glory vis-à-vis the entire world ... The official education programme is the only means of inspiring such a lofty aspiration throughout the whole nation. Moreover, the very base of such education lies in primary education."³⁵ Fukuzawa, another important social reformer, believed that in order to absorb Western civilisation, the appropriate mentality needed to be created first so that progress could be made smoothly. He also argued that it was the Japanese people's primary duty to maintain the national sovereignty vis-à-vis the Western powers, and that this could only be done through education.³⁶ The contents and structure of technical education changed according to the national needs of the day.³⁷ Throughout the period up to 1945, i.e. the end of the Second World War, the effort continued to cultivate the sense of responsibility for the national prosperity ("Enrich the nation and strengthen the army").³⁸ It is therefore no exaggeration when Shigeru Yoshida, the architect of the post-war prosperity of Japan, wrote that "The central role of education is perhaps the most characteristic of Japan's transformation."³⁹ Coming out of the strong feudal system only recently,

³³ M. MORISHIMA, *op. cit.*, pp. 49-50 and 60.

³⁴ Kattendyke, a Dutch officer, for example, reported from Nagasaki that, while the Samurai subordinated themselves to their master to secure their social status and privileges, the commoners were joyful and enjoyed such a degree of freedom as was rare in Europe (W.J.C.R.H. KATTENDYKE, *op. cit.*, p. 125). Alcock wrote that "I believe what Koempfer has said in respect to the Sinto religion is true as regards any faith the Japanese generally may have. 'The more immediate end which they propose to themselves is a state of happiness in this world'" (R. ALCOCK, *op. cit.* Vol. II, p. 258). It is interesting to compare this image of the Japanese populace with merrymaking gods in *Kojiki*, a collection of Japanese myths, edited in 712.

³⁵ K. KATSU, *Hikawa Seiwa*, a modern edition in Kadokawa Bunko, Tokyo, Kadokawa Shoten, 1972, p. 182.

³⁶ See Y. FUKUZAWA, *Bummeiron no Gairyaku*, *op. cit.*, pp. 30 and 43-4.

³⁷ See S. WATANABE, *The patent system*, *op. cit.*

³⁸ See W. M. FRIEDEL, "Government ethics textbooks in late Meiji Japan", *The Journal of Asian Studies*, August 1970.

³⁹ S. YOSHIDA, "Japan's decisive century", *Britannica Book of the Year 1967*, Chicago, William Benton, 1967, p. 45.

the objective must have been achieved relatively easily, especially because the primary school enrolment rate for boys reached 99 per cent by 1920.

While such moral suasion must have contributed to the general discipline of Japanese workers, both employed and self-employed,⁴⁰ workers had to be trained forcibly to man the new factories. The state-run "model factories" and the army and navy arsenals were the major producers of disciplined industrial labour and future trainers: "Japan's modern workers were born in government factories".⁴¹ The progress was slow. After a detailed statistical analysis of the development of the Japanese labour market, Taira concludes that "Japan's industrialisation and economic development at least before the First World were leisurely affairs ... One almost feels that Japan's pre-war development was limited by the lack of paid labour suitable to large-scale, capital-intensive factories."⁴²

As Table 1 shows, factory employment (enterprises with four or fewer workers) surpassed 50 per cent of the total industrial employment only in the early 1930s. Moreover, until the beginning of the 1940s the factory employment consisted mainly of female workers in the textile industry, who worked only for a few years before their marriage. Even male workers were mostly migrants from the rural sector who took up non-agricultural work to earn their secondary income in cash. The growth of a truly modern workforce in the metal engineering industry began after the Russo-Japanese War, and accelerated after the outbreak of the second war with China in 1937, as the table indicates. This is only natural because the metal engineering industry in pre-war Japan expanded in connection with armaments. At the peak of the Second World War, in 1943-44, probably nearly one third of the industrial workforce was in this industry. In addition, a large number of secondary school boys and girls were mobilised to work in those factories. Since they worked under the supervision of military officers, the discipline was strict. As a result of this, as well as the military training received by millions of soldiers, the average quality of the postwar Japanese workforce seems to have become much better compared with that of the pre-war one. Still, a significant proportion of Japanese workers would choose to be self employed and seek the status of proprietorship, as we already noted. The "loyal" or "devoted" employees account for only a part of the Japanese workforce.

⁴⁰ The technical performance of the small industrial entrepreneurs and home employed was improved to an important degree through the activities of industrial associations and chambers of commerce.

⁴¹ H. HAZAMA, "Historical changes in the life style of industrial workers", in H. PATRICK (ed.), *Japanese Industrialisation and Its Social Consequences*, Berkeley, University of California Press, 1976, p. 25. See also J. HIRSCMEIER, *op. cit.*

⁴² K. TAIRA, *op. cit.*, p. 7. It seems plausible to argue that the peculiarly Japanese industrial structure based on a wide practice of industrial subcontracting has emerged partly because of this problem. Even today, the proportion of self-employed in the Japanese industrial workforce is extremely high: in 1977, 19 per cent of the industrial workforce in Japan worked at

5. MOTIVATION OF THE "LOYAL" EMPLOYEES

Although the Samurai's principle of "service to one master for life" may have had some influence in the case of the staff, "loyalty" and "devotion" of the workers in the larger sectors of the Japanese industries should be attributed basically to three economic incentives: job security stemming from the life employment system, the competitive promotion system and the egalitarian remuneration system. Socio-cultural tradition has relevance, but only indirectly.⁴³

After the Sino-Japanese War and especially after the Russo-Japanese War, employers made efforts to institute a variety of amenities inside the firm and to improve wages and working conditions, giving rise to a paternalistic management system. Regarding male employees and skilled workers in particular, they began to adopt an employment system whereby they recruited only new school leavers and promoted them by years of experience. This was partly due to the need for securing a sufficient workforce for the expanding industries, especially the textile industry, and partly because of the introduction of the Factory Act (1911) and the rising trend of the labour movement. The life employment system and the seniority wage system became institutionally established in the 1920s. They were strengthened after the Second World War as a result of the spread of the concept of a "living wage". According to this concept, a worker's wage or salary starts low and increases with his age and length of service with the firm, as the cost of living of his household will usually increase with his age. Once such a pay system has been adopted, it would be extremely foolish for a man to leave the company. Thus he becomes permanently committed to his current employer.⁴⁴

Life employment implies worker versatility and flexibility. Workers are not employed for a given job. Transfer from one job to another and from one work place to another is routine. (So, of course, is retraining.) The non-existence of job description in Japan probably explains workers' willingness and ability to give a hand to their fellows workers whenever necessary. Their promotion is closely connected with such job rotation,

establishments with fewer than 10 workers, as compared with 2.9 per cent in the United States. Most of them (over 80 per cent in metal engineering) work more or less as subcontractors. The most frequent motivation for starting one's own business even as a subcontractor is the desire to "be one's own master" (cf. S. WATANABE, "Entrepreneurship in small enterprises in Japanese manufacturing", *International Labour Review*, December 1970).

⁴³ Similarly, we would argue that the reliability of the small subcontractors in Japan should be explained primarily by the intensity of competition among them.

⁴⁴ See K. TAIRA, *op. cit.*, pp. 157-59 and 184-6; W. GALENSON and K. ODAKA, "The Japanese labour market", in H. PATRICK and H. ROSOVSKY (eds.), *Asia's New Giant: How the Japanese Economy Works*, Washington, D.C., Brookings Institute, 1976, pp. 609-10; K. TAKAHASHI, *Nihon Kindai, op. cit.*, Vol. II, pp. 211-20.

Table 1
Structural change in Japanese manufacturing employment (1890-1965)
(in '000 workers)

Year	Total industrial employment	Non-factory employment		Factory employment				
				Total	Textiles*		Machinery mfg	
		No. of workers	%	No. of workers	No. of workers	%	No. of workers	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1909	3,024	2,203	72.8	821	520	63.3	50	6.1
1914	3,069	2,059	67.1	1,010	602	59.6	82	8.1
1919	4,171	2,363	56.6	1,808	994	55.0	227	12.6
1925	4,903	2,907	59.3	1,996	1,049	52.6	250	12.5
1931**	5,394	3,552	65.9	1,842	1,006	54.6	189	10.3
1937	6,429	3,176	49.4	3,253	1,204	37.0	688	21.1
1940	7,160	2,674	37.3	4,486	1,119	24.9	1,541	34.4
1942	—	—	—	—	862	—	2,084	—
1953	7,190	2,532	35.2	4,658	952	20.4	979	21.0
1958	8,990	2,879	32.0	6,111	1,032	16.9	1,440	23.6
1961***	10,160	1,972	19.4	8,188	1,168	14.3	2,299	28.1
1965	11,580	1,930	16.7	9,650	—	—	—	—

* Spinning and weaving only.

** 1930-31 was the peak of the Great Depression in Japan.

*** The Japanese economy is believed to have passed its 'turning point' from a labour surplus to a full employment phase around 1960.

Sources: Columns (1) and (4) K. OHKAWA and H. ROSOVSKY (eds.), *Japanese Economic Growth: Trend Acceleration in the Twentieth Century*, Stanford, Cal., Stanford University Press, 1973, pp. 81 and 83. Marginal changes were made to the figures in column (4) for 1958 and 1961 according to the figures from the Census of Manufactures published in the Bureau of Statistics, *Japan Statistical Yearbook 1964* (Tokyo), p. 160.

Columns (5) and (7): for the period 1909-42, D. SHÔWA (ed.), *Waga-Kuni Kanzen Koyô no Igi to Taisaku* (Unemployment in Japan: Its structure and solutions), Tokyo, 1957, pp. 613 and 623, and for the later years *Japan Statistical Yearbook 1964*, pp. 160-1.

as this implies a widening of their experience. Thus, they are more company-oriented than job-oriented. It also implies that Japanese workers have a longer-term view of material interests. They work hard, not for the short-term reward, but for the reward during their full working life, including the job security that can be assured only as long as the company survives.

Those who are recruited in the same year compete fiercely with each other. When a chance for promotion arises, performance of individual workers is a crucial factor in deciding who gets promoted. Even annual increments reflect daily competition among workers in some companies. In the same age group with the same educational background, cumulative differences in total wages and salaries and in retirement allowances become substantial. What is more important, in Japan advancement to a position such as foreman comes to older workers with long service, and many grades exist before that level, depending on age, seniority, education, ability, the line, and the worker's hopes to advance through these levels.⁴⁵

Probably the most important thing for workers' morale is the egalitarian remuneration system. Glazer believes that "the Japanese factory or company is at present perhaps the most egalitarian in the world, outside China".⁴⁶ Apart from the non-existence of discrimination between office workers and manual workers regarding their work uniform, cafeteria, pay system (monthly payment), hours of work and benefits, all workers gain or suffer from the ups and downs of the company business through their annual increments and biennial bonuses which usually amount to between three and seven times the monthly wages and salaries. The earning differentials between ordinary workers and those at the top of the company hierarchy are extremely small compared with, say, the United States, and both share the effects of ups and downs in the corporate performance. At the same time, the heavy dependence of Japanese firms on bank loans implies relatively limited dividend payments.⁴⁷ Thus, the workers need not suspect that they work hard only to enrich company directors' and share-holders' pockets.

Why have the Japanese employers opted for a paternalistic management technique and why have their employees readily accepted it even after the arrival of the age of affluence? One may seek an explanation in the socio-cultural tradition of the nation.

The paternalistic management system in Japan may be explained partly

⁴⁵ See T. HANAMI, "Worker motivation in Japan", *Japan Labour Bulletin*, 1 Februry and 1 March 1982, and N. GLAZER, "Social and cultural factors in Japanese economic growth", in H. PATRICK and H. ROSOVSKI (eds.), *Asia's New Giant*, *op. cit.*, pp. 885-6. Glazer argues that: "in contrast, in the United States, hope of advancement ceases to exist early (in the mid-30s according to a study in the automobile industry) and the number of levels is more limited.

⁴⁶ N. GLAZER, *op. cit.*, p. 886.

⁴⁷ For example, during the late 1970s and early 1980s the ratio of dividends to the gross profit in the Japanese industries was roughly half the level in the United States (11.8 per cent against 21.2 per cent in 1982). See N. MARUO, "Nihon-gata Keiei to Seika Haibun — Incentive system to shitte no Hyōka (The Japanese-style management and profit-sharing — Their evaluation as an incentive system)", *Nihon Rôdô Kyōkai Zasshi*, September 1986, p. 6.

by the feudal tradition, but probably more importantly by the community-mindedness of the Japanese, which is often associated with Shintoism. This is a polytheistic, whereby a god is believed to come from the world of eternity down to the earth once or twice a year to control evil spirits who disturb people's happiness. The god is traditionally associated with each locality (a village) through the souls of ancestors. To pray for the god's visit, each locality traditionally has a regular festival once or twice a year. Some Japanese argue that the communal activities related to it helped develop and maintain community-mindedness among the Japanese.⁴⁸ Although Confucianism constitutes the backbone of the family system in the Far East and is associated with close kinship, the Japanese communities are much less bound by kinship. It is a common practice to adopt a child as heir. Even in the Tokugawa period, merchants disinherited a mediocre son and adopted the most gifted employee for the sake of the prosperity of the family business.⁴⁹

With reference to the cooperative relationship among worker in the QC (Quality Control) circle activity which is often mentioned to illustrate the Japanese workers' devotion to their work, we suggested elsewhere a possible influence of the historical tradition of collective responsibility sharing under the *Gonin-gumi* (five household group) system.⁵⁰ Broadly modelled after a Chinese institution developed under the T'ang Dynasty (618-907), the *Gonin-gumi* system had existed in certain districts of Japan for several centuries, before Toyomi Hideyoshi issued a regulation in 1597 which obliged every five Samurai or ten farmers to organise a group to maintain social order. After Hideyoshi's death, the Tokugawa Shogunate enforced the regulation very strictly, making the system the basic administrative unit all over the country, including the towns. The objective was not only to police the people, but to encourage productive activities, notably agriculture, and to improve conditions of life through collective activities.⁵¹ Land tax and other duties were to be borne collectively by the member households. In a considerably relaxed form this tradition has survived as "*Tonarigumi*" (neighbours' group) for mutual assistance in daily life among neighbours. As might easily be surmised, the system works partly because all the group (community) members mutually and jealously supervise the others' fulfilment of their duties. It might not be unreasonable to suggest that the assumption underlying the seniority pay system that every employee will do his best to serve the company works in Japan for a similar reason.

In any case, both the QC circle activity and the life employment system prevail among the larger enterprises, and are less common among the smaller

⁴⁸ I benefited from a conversation with Professor Mikio Sumiya on this point.

⁴⁹ Cf. M. MIYAMOTO et al., *op. cit.*, p. 546.

⁵⁰ Cf. S. WATANABE (ed.), *Microelectronics, Automation and Employment*, *op. cit.* ch. III.

⁵¹ See Y. TAKETOSHI, *The Economic Aspects of the History of the Civilisation of Japan*, London Allen & Unwin, 1930, Vol. III, pp. 390-2.

firms.⁵² This seems to support our interpretation of the "loyal" workers' motivation. Employees in small firms tend to be more mobile, partly because of their employer's own insecurity, but also because they seek varied occupational experiences and higher immediate incomes before launching their own enterprises. Employees, especially male, in the larger enterprises, in contrast, stick to the company for the reasons mentioned above, sacrificing their individualistic desires in return for the job security and the prestige associated with the name of their company, such as Mitsubishi. Here one discerns a dual behaviour pattern of Japanese workers similar to what was observed in the Tokugawa period.

6. CONCLUSIONS

In explaining Japan's fast modernisation after the mid-19th century and the international competitiveness of her industry today, her socio-cultural tradition is usually referred to. By means of a survey of literature, we attempted in the present paper to verify the relevance of such an interpretation. Our conclusion is that the Buddhist-Confucian-Shintoist tradition culminating in the "Samurai spirit" clearly was an important legacy, providing the country with efficient and selfless leaders. The influence of this factor, however, tends to be exaggerated. There is good reason for believing that the populace at the end of the Tokugawa period was only lightly influenced by Confucianism, although some of the wealthier merchants and farmers shared the Confucian education and discipline with the Samurai.

The "disciplined workforce" of Japan is a modern product of deliberate, continuous efforts. In creating it, the official education programme was instrumental, especially the primary school education, in producing a tool of moral suasion aimed at "Enriching the nation and strengthening the army". Similar efforts were made to create "community-centred" entrepreneurs. Feudal tradition appears to have been of some help, as thrift, diligence and obedience to the authorities were among firmly established virtues in Japanese society. Both feudal legacy and Shintoist tradition seem to have had some influence in the spread of the peculiarly Japanese life employment system and related incentive schemes, which promote employees' "loyalty" and "devotion" to their company and work.

Yet, we cannot help feeling that a series of wars contributed a great deal to the development of the disciplined modern industrial workforce

⁵² On the spread of the QC activity, see T. INAGAMI, "QC circle activities and the suggestion system", *Japan Labour Bulletin*, 1 January 1982. Galenson and Odaka point out that the spread of the life employment system is largely confined to the male employees in the public sector and the larger companies in the private sector (cf. W. GALENSON and K. ODAKA, *op. cit.*).

and to the enhancement of the public-mindedness and, consequently, social status of the business community. In the case of the business community, the Sino-Japanese War and especially the Russo-Japanese War accelerated the change. In the case of workers, quantitatively, the second war with China which started in 1937 and the Second World War appear to have created the greatest impact. These wars, however, still remain largely a taboo among the Japanese scholars. They are especially reluctant to argue about their positive long-term effects on the Japanese economy. Ideological and moral issues aside, serious objective empirical research is needed.⁵³

Throughout Japan's modernisation process, the role of education, ethical and technical, was outstanding. At the same time, Morishima is no doubt right in seeking the very basic motivation of the Japanese effort at modernisation in their "defensive nationalism for the sake of survival." This is still alive, almost intact, in today's Japan. Underlying this sentiment is the awareness of the basic weakness of Japan. No thoughtful Japanese would say that their country is rich. It has no natural resources, or ex-colonies which can come to the rescue in case of emergency. Moreover, convergence of the East and the West appears to remain a utopian idea. To a majority of Westerners, "international" is synonymous to "occidental", and "fair business practices" means practices agreeable in the light of their own tradition and practice. In this sense, the "unequal" treatment still persists from the Japanese viewpoint.⁵⁴

Before closing our discussion, two aspects of the Japanese experience may be noted as they have some relevance to today's developing countries. One concerns the very long-term perspective in which the Meiji leaders considered their modernisation strategy, referring to a "100 year grand plan of national progress (*Kokka Hyaku-nen no Taikei*)". Indeed, it took

⁵³ Some literature does exist. Probably the most important contribution is H. KOYAMA, *Nihon Gunji Kōgyō no Shiteki Kenkyū* (A historical analysis of the Japanese armament industry), Tokyo, Ochanomizu Shobō, 1972; see also K. YAMAMURA, "Success ill-gotten? The role of Meiji militarism in Japan's technological progress", *Journal of Economic History*, March 1977. Watanabe explored the impact of wars on the development of the Japanese metal engineering industry and industrial subcontracting system (see S. WATANABE, "Intersectoral linkages in Japanese industries: A historical perspective, in S. WATANABE (ed.), *Technology, Marketing and Industrialisation*, Delhi, Macmillan, 1983).

⁵⁴ For example, the blame for Japanese "dumping" comes largely from differences in the financing strategy (reliance on bank loans instead of the stock market), the industrial structure (low overhead cost of household enterprises), the distribution system (high distribution cost due to the existence of multiple layers of marketing agents in Japan), etc. Critics of MITI (Ministry of International Trade and Industry) interventions should take account of the even greater role of the defence and aero-space authorities in the R and D procurement programmes in the United States, France, the United Kingdom, etc. For an interesting counterargument to a critique on the Japanese labour legislation, see R. B REICH, "Labour law, reform, and the Japanese model", *Harvard Law review*, January 1985. In a broader context, Japanese quote the experience of Judo. Rules of this sport based on traditional Japanese martial arts have been adapted to the European conditions by an international committee. In the process, it has been reduced to a pure sport, losing much of its traditional element.

Japan over half a century to get the "unequal treaties" revised in 1910, and over a century to turn the balance of technology trade into surplus (on the contract basis) in 1972. The other is the very clear sense of priority, and the almost single-minded pursuit of the selected long-term goals, on which Marshall commented in the passage already cited. Even the liberalist Fukuzawa maintained that, at the time of the opening of the country to the West, the Japanese must never complain about unequal distribution of wealth, since only people of considerable wealth could engage in the international trade war and enrich the nation.⁵⁵

These two features of the Japanese strategy have survived the Second World War, as testified by the following extract from Okita, one of the main planners of the post-war reconstruction and development:

"Where large wage and living standard differentials exist, it is not advisable, in general, to correct the situation too hastily by artificial measures which may involve a risk of increasing substantially the numbers of unemployed. It is preferable to remedy the discrepancies gradually, keeping pace with economic growth and capital accumulation ... In Japan it is anticipated that the recently observed slow-down in the rate of increase of population and the high rate of economic growth will continue in the foreseeable future, which is likely to bring about, within some 10-20 years, a gradual elimination of the dual structure of the labour markets and move Japan's economy closer to the full-employment conditions now prevailing in Europe."⁵⁶

Clearly, these strategies have worked partly thanks to the socio-cultural tradition such as the selfless leaders and the obedient and trusting populace, and partly due to the prevalence of "defensive nationalism" throughout the nation. Very basically, however, one may attribute it to the long-term political and social stability, which was secured initially by the Emperor system.

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⁵⁵ Cited in K. TAKAHASHI, *Nihon Kindai*, *op. cit.*, Vol. II, p. 28.

⁵⁶ S. OKITA, "Choise of Techniques", *Industrialisation and Productivity*, Bulletin No. 4, April 1961, p. 26.