

Taxation and Landownership in the Westernization of Japan

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*Taxation and Landownership in the Westernization of Japan**

JAPAN'S transformation into a modern state began shortly after the middle of the nineteenth century when she was forcibly opened to international trade. In the ensuing years, the old social, economic, and political structure was overhauled to the end that Japan might become a powerful nation able to stand on an equal footing with the more advanced Western nations. Early attention was given to land reform and peasant emancipation since the country was predominantly agricultural, with about four fifths of the population engaged in cultivating the soil. In the early 1870's the prevailing system of servile land tenure was swept away and replaced by a system of private ownership of land. Henceforth, the peasants, who had formerly held land from feudal nobles in return for certain dues and services, were given title to land on which they, as owners, paid a land tax.

There was thus created a substantial number of peasant proprietors. But the taxation and other fiscal policies of the government soon reduced most of these peasant owners to poverty and they lost their holdings through forced tax sales or mortgage foreclosures. It is the purpose of this essay to trace in some detail the transition to the modern system of land taxation and the subsequent loss of land by the peasants.

I

The political and economic system which Commodore Perry found in Japan when he forced open the closed door in 1853 has sometimes been described as "centralized feudalism."¹ This system dated back to the beginning of the seventeenth century when, after a period of civil wars, the Tokugawa family emerged dominant. In 1603, the head of this family, Iyeyasu (1542-1616), was proclaimed shogun by the emperor, and thereafter until 1868 he and his heirs governed Japan as virtual military dictators. The shogun directly ruled through his

* A Demobilization Award of the Social Science Research Council for which I desire to express my appreciation made possible the preparation of this study.

¹ This is a term used by Honjo Eijiro in his *The Social and Economic History of Japan* (Kyoto, 1935), pp. 18-44.

bureaucracy roughly one fourth of the country, including all the important cities. The rest of the country was divided among some 260 feudal nobles who although subject to the control of the shogun enjoyed considerable autonomy.

Under the shogun and the feudal lords were the *samurai*, or warriors, numbering about 400,000 households. By the seventeenth century these *samurai* had been separated from the land and lived in castle towns on hereditary rice stipends. The rest of the population consisted of merchants, artisans, and peasants, the last named forming the great bulk of the population.

These peasants were looked upon mainly as a source of dues and services. The ruling classes thought of them as producers of food who should be given enough to survive but no more.² The most important payments made by the peasants were the seignorial dues on rice land, collected usually in kind and generally amounting to 40 or 50 per cent of the yield.³ They were forced to pay, in addition, countless dues on various things from windows to female children. The peasants were also subject to forced labor, not on the lord's demesne as in Europe, but on public works, such as building roads and maintaining irrigation works. A particularly burdensome form of service was the *sukego* or the requisitioning of men and horses for courier and postal service.

Like the serfs in Europe, the Japanese peasants were subject to numerous restrictions. They were forbidden to migrate to the towns. They could not permanently alienate the land they cultivated, nor could the estate be divided unless it was larger than one *cho* (2.45 acres) and yielded at least 10 *koku* (one *koku* = 5.12 bushels) of rice.

² Honda Masanobu, one of Iyeyasu's closest advisers, once wrote: "The peasants are the basis of the empire. There are ways of ruling them. First, clearly mark off the boundaries of each man's fields; then have each one estimate the portion of the crop necessary to feed him for a year, and make him pay the rest as land tax."—"Hon-sa-roku" [The Record of Honda, Sado-nokami] in *Nihon Keizai Taitem* [A Cyclopædia of Japanese Political Economy], edited by Takimoto Seiichi (Tokyo, 1928), III, 21. Many writers characterize Honda as "Machiavellian" and Takimoto suggests the possibility that Honda was influenced by Machiavelli, although it is evident that he thinks it highly improbable. See his "Nihon Keizai Shiso Shi" [A History of Japanese Economic Thought], in *Dai Shiso Ensaiyuropijia* [The Great Thought Encyclopedia] (Tokyo, 1928), XV, 197-207.

³ "All the land in a domain was carefully surveyed by officials of the overlord, and its yield was estimated in accordance with its position, the nature of the soil, the number of its cultivators, and in certain cases the harvest obtained from a test area. The overlord then took his share of the crop, which was divided in a customary ratio, generally '*shi-kō roku-min*' or 'four to the prince and six to the people,' but sometimes even two to the prince and one to the people."—G. B. Sansom, *Japan, A Short Cultural History* (revised edition; New York: D. Appleton-Century Company, 1938), pp. 464-65.

Owing to the policy of encouraging self-sufficiency in food, crops like tobacco were not allowed to be grown on rice land. Even the daily lives of the peasants were governed by sumptuary laws which dictated, among other things, the kind of clothing they could wear and the type of dwelling they could live in.

As a method of social control, the peasants were organized into *gonin-gumi* or five-man groups. Based on the principle of collective responsibility, these teams of five men formed the basic administrative unit. If, for instance, one of the members failed to pay his dues, the others were jointly responsible. These teams were also used to transmit official messages and to apprehend criminals.⁴

All these restrictions were part of a larger scheme the purpose of which was to freeze Japanese society as it existed in the beginning of the seventeenth century. But, as one might expect, it was impossible to maintain the *status quo*, and by the middle of the nineteenth century the system had broken down. In fact when the Western powers began to press in on Japan, the country was in the midst of a serious economic crisis. This crisis had been brought on in part by the rise of a money economy, which enriched the despised merchants at the expense of the other classes.⁵ By the middle of the nineteenth century, both the shogun and the feudal nobles were bankrupt. This in turn affected the *samurai* because their masters tended to hold back a part of the rice stipends. The economic difficulties of the lords and *samurai* led to greater demands on the peasantry. The peasants, however, rose up in revolt when they were goaded beyond endurance. Undoubtedly, the rising crescendo of peasant revolts weakened the foundations of the regime.

Added to this crisis was the growing pressure of the Western powers who insisted that the traditional policy of isolation be abandoned and the country opened to trade. As a result of the conjunction of these two factors—the internal crisis and external pressure—there occurred in 1867 the political change known as the Meiji Restoration. A small group of low-ranking *samurai*, aided by a few court nobles who provided the prestige and by the big Osaka merchants who provided the

⁴ The more important decrees on the control of the peasantry may be found in Tokutomi Ichiro, *Kinsei Nihon Kokumin Shi: Tokugawa Bakufu Joki* [A History of the Japanese People in Modern Times: The Early Part of the Tokugawa Bakufu] (Tokyo, 1924), II, 512–30.

⁵ Takizawa Matsuyo, *The Penetration of Money Economy in Japan* (New York: Columbia University Press, 1927).

funds, seized power, destroyed the shogun's government, and "restored" the emperor as the head of the state. Because of their *samurai* origin, the men who had engineered the Restoration realized that swords, no matter how sharp and skillfully wielded, were no match for Western cannon. They were able to see that, if Japan was to escape the fate of her Asiatic neighbors who had been reduced to a colonial or semicolonial status, she must become a strong modern industrialized state. Accordingly, these *samurai*, now bureaucrats in the new government, launched a series of far-reaching reforms designed to close the gap between Japan and the advanced Western nations. A centralized government replaced the former system of rule by feudal nobles and a modern conscript army organized in 1873 was entrusted with the defense of the country. Between 1868 and 1879 the government took the lead in building shipyards, arsenals, and iron foundaries, in constructing railroads, in putting up telegraph lines, and in opening new mines. To spur industrialization in general, the government erected "model" factories equipped with imported Western machinery and hired foreign experts to teach new techniques.

Naturally, these reforms required the expenditure of large sums. But this was not all. To some extent the new regime had purchased its way to power by assuming the debts of feudal nobles and by giving pensions to these nobles and the *samurai* in compensation for the hereditary stipends now abolished.⁶ The government could not borrow the needed money, for capital accumulation in Japan was relatively small. Recourse might have been had to foreign loans, but since the leaders feared that such loans would lead to foreign political control they were kept to a minimum. Government expenditures, therefore, were met by a heavy tax levied on the agricultural population.⁷

It is easy to understand why the new government gave early attention to the problem of taxation. The old system of seignorial dues based on the yield and payable in kind was expensive to administer and subject to fluctuations, which made a modern budgetary system of

⁶ The debts and paper notes issued by the nobles amounted to more than 56 million yen, while the pensions granted to the nobles and the *samurai* came to more than 210 million yen.—Yamada Seitaro, *Nihon Shihonshugi Bunseki* [An Analysis of Japanese Capitalism] (Tokyo, 1934), p. 185.

⁷ From 1868 to 1875, 82 per cent of the ordinary revenues of the government was derived from the land tax.—Ono Takeo, *Noson Shi* [A History of Japanese Agriculture], which is Volume IX in the series, *Gendai Nihon Bummei Shi* [A History of Contemporary Japanese Civilization] (Tokyo, 1941), p. 50.

public finance impossible. As early as 1870, it was proposed that a tax be levied which was based on the value of the land and payable in money.⁸ But before that could be achieved, it was first necessary to establish the principle of the private ownership of land and to free the peasants. The first step was taken with the decree of December 1868 which said that “with the exception of Imperial land and temple and shrine land, all village land shall belong to the peasant.” Later decrees were issued which gave the peasant the right to choose his crops and to alienate his land. Beginning in 1872, the government issued *chiken* or land certificates showing ownership of land.⁹ By early 1873 the ground had pretty well been cleared.

In April 1873 more than seventy local officials met in Tokyo to discuss the question of establishing a land tax. Various proposals were made; some wished to commute the old dues into money payments, while others urged that reforms should be postponed. In the end it was decided that it would be best to set up a new system. One reason for the decision seems to have been the recognition that the old method of seignorial dues paid by unfree peasants would be an anomaly in a capitalistic world. “The most worthy feature of the revisions,” said Matsukata Masayoshi, one of the architects of the new system, “is that by giving the people the right to own land, it increased their love for the land and made them study the ways of production and harvest.”¹⁰

Under the new system the land tax was to be based on the so-called “legal value” of the land. This was arrived at by the application of the following formula: first, the money value of the average yield (over a five-year period) from one *tanbu* (0.245 acres) of land was calculated on the basis of the price of rice prevailing in that area. From this was deducted the cost of fertilizer and seed rice (legally fixed at 15 per cent), the land tax, and the local tax which was usually one third of the land tax. What was left was called the “net profit” despite the fact that no deduction had been made for the cost of labor. Then the “net profit” was capitalized at a rate ranging from 6 to 7 per cent, giving the “legal value” of the land. The land tax was to be 3 per cent of this

⁸ Kanda Kohei's memorial was the first of a series on the land tax. For a detailed account, see Ono Michio, *Kinsei Noson Keizai Shiron* [A History of Agricultural Economics in Modern Times], which is Volume LIX in the series, *Keizaigaku Zenshu* [Collected Works on Economics] (Tokyo, 1933), pp. 283 ff.

⁹ Ono Takeo, *Noson Shi*, pp. 45 ff.

¹⁰ *Ibid.*, p. 46.

“legal value.”¹¹ Incidentally, it was promised at this time that the tax would be reduced eventually to 1 per cent, but this promise was never kept.

Unlike the old dues, the tax was to be paid in money. Whereas formerly reductions had been allowed in times of poor harvest, now the tax was fixed. Lastly, the tax was to be paid by the owner of the land rather than by the cultivator as had been the practice.

If the peasants had anticipated marked reductions in their payments under the new arrangement, they were to be disappointed. To begin with, 15 per cent had been allowed for fertilizer and seed in computing the “legal value” of the land, but in actual practice these costs usually ran higher. More important, no allowance had been made for the cost of labor. Consequently, when the local tax of 1 per cent was included, the tax burden was quite heavy. According to a hypothetical example given by the finance ministry to local officials to help them administer the tax law, the land tax plus the local tax required 34 per cent of the gross yield.¹² It is quite likely that, except in those areas where the seignorial dues had been exceptionally high, the land tax did not result in any substantial decrease in the peasants’ payments.

The requirement, moreover, that the tax be paid in money worked a real hardship on many of the cultivators. It put them at the mercy of market conditions over which they had no control. Since the average peasant worked a small holding and possessed little or no working capital, he could not market his crop at the most advantageous time.¹³ While in the long run the price of rice tended to rise, there were always seasonal fluctuations. As a rule prices dropped in the fall after harvest and gradually rose, reaching their highest level some time in late

¹¹ Ono Michio, *Kinsei Noson Keizai Shiron*, p. 302; Saburo Shiomi, “On the Revision of the Land Tax,” *Kyoto University Economic Review*, IV (1929), 79.

¹² It was assumed that one *tanbu* (0.245 acres) of land would yield 1.6 *ko*ku of rice worth 4.80 yen on the basis of 3 yen per *ko*ku. Fertilizer and seed (at 15 per cent) came to 0.72 yen, while the land tax and local tax amounted to 1.224 yen and 0.408 yen respectively. The net profit was 2.448 yen, which, capitalized at 6 per cent, gave 40.80 yen for the land value. According to the above calculation, the land tax and local tax required 1.632 yen or 34 per cent of the gross proceeds.—Tsuchiya Takao and Okazaki Saburo, *Nihon Shihonshugi Hattatsu Shi Gaisetsu* [Outline History of the Development of Japanese Capitalism] (Tokyo, 1937), p. 60; Hirano Yoshitaro, *Nihon Shihonshugi Shakai no Kiko* [The Mechanism of Japanese Capitalistic Society] (Tokyo, 1934), p. 20, and hereafter cited as *NSSK*.

¹³ A survey in 1874 of 3 urban and 27 rural prefectures (excluding Hokkaido where holdings are larger) revealed that the average area, including paddy and dry fields, cultivated by a family was 2.353 acres.—E. Herbert Norman, *Japan's Emergence as a Modern State* (New York: Institute of Pacific Relations, 1940), p. 153.

summer.¹⁴ Yet the small cultivator was forced to dispose of his crop soon after harvest because that was the time when he needed money the most. At that time the land tax became due, debts had to be repaid, and preparations made for the holiday season.¹⁵

There were other disadvantages, especially for those who lived in the more remote areas. These peasants could not sell on the national market since the transportation system was still poorly developed. According to one European observer, rice could not be carried profitably more than twenty miles on good roads.¹⁶ Under these conditions, it is not surprising that there were marked regional differences in the price of rice, with quotations being much lower in the more remote northern areas. In 1877, for instance, when rice was selling at 4.91 yen per *hoku* in Tokyo, and 5.00 yen in Nagasaki, it was being sold for 2.75 yen in Aomori.¹⁷

In addition to the problems of marketing, the cultivator had to contend with the vicissitudes of nature. Every now and then there was bound to be a bad year when blight, insects, or storms destroyed a part or all of the crop. Under the old system, which was more paternal, it was possible to have the dues reduced; but now the tax was fixed and payable on a certain date.¹⁸ Hence, in case of crop failure, the small

¹⁴ The following table shows the fluctuations in the price of rice in Tokyo for the year 1875. The price is for one *hoku*:

January	5.40 yen	July	7.90 yen
February	4.50	August	7.90
March	3.70	September	7.00
April	3.70	October	7.80
May	5.00	November	6.30
June	5.90	December	6.50

Nakazawa Benjiro, *Nihon Beika Hendo Shi* [A History of Rice Price Fluctuations in Japan] (Tokyo, 1933), p. 322.

¹⁵ Paul Mayet, a German agricultural adviser to the Japanese government, has said: "Since a large amount of taxes was collected all at once, the peasants were naturally forced to put a large part of their crop on the market all at one time. All of the peasants sold their rice on the market at the same time, and hence the supply exceeded the demand. Rice dealers suddenly became speculative buyers. They watched with folded arms and waited for the price to fall still more. Yet the peasants wished to sell their rice quickly because the time for the payment of the tax approached. Therefore, the price of rice fell immediately, and unfortunately the amount of money received from the sale was indeed small." Quoted in Ono Takeo, *Noson Shi*, p. 71.

¹⁶ Ono Yejiro citing Max Fesca in "The Industrial Transition in Japan," *Publications of the American Economic Association*, I (1890), 84 n.

¹⁷ Honjo Eijiro, "Meiji no Beika no Chosetsu" [Regulation of Rice Price in the Meiji Era], *Keizai Ronso* [Economic Review], IX (1919), p. 835.

¹⁸ A decree in 1872 said that those who were late in paying the land tax must pay interest of one half per cent per month, and if they had not paid by July of that year they must be declared bankrupt and the tax and interest collected.—Ono Takeo, *Noson Shi*, p. 73.

peasant was almost always forced into the hands of the village usurer since there were no institutions where he could secure cheap credit. And once he borrowed from a moneylender, it was extremely difficult for him to get rid of the debt because of the high rate of interest.¹⁹ It was also very risky, since the credit was obtained on short terms and unsecured against a sudden demand for repayment. If several difficult years, caused by poor crops or by family emergencies like prolonged illness or death, followed in succession, it was very likely that a small landowner would lose a part or all of his land.²⁰

The land tax, which was already high even when legitimately administered, was made almost intolerable when abuses crept in. The assessment of land values was a source of conflict between the government and the landowners, since one wanted it as high as possible, while the other wanted it as low as possible. According to the law, the peasants in a given area were to assemble and discuss among themselves what they thought was a just value of their land. Then they were to submit a report stating their conclusions. If the government felt that the figure was too low, it was to negotiate with the peasants. Although it is not known how widespread a practice it was, there is evidence that in some areas, at least, overzealous officials tried to coerce the peasants and put a high valuation on the land.

This happened, for instance, in Kasugaki county in Aichi prefecture when an official, one Araki Toshisada, wrote out a report and demanded that the village headmen sign it. When they refused, he threatened them in violent language, calling them "traitors" who ought to be sent into exile and produced a rope in order to frighten them. Finally most of the village headmen signed, but three resisted to the end. This set an example, and later forty-three villages revolted against the official. This controversy, which lasted three years, was eventually settled by mediation when the Tokugawa family gave a sum of 35,000 yen, the interest from which was to be used to help defray taxes.²¹

¹⁹ In September 1877 the government set the legal interest rate at 20 per cent for loans under 100 yen, 15 per cent for those from 100 to 1,000 yen, and 12 per cent for those over 1,000 yen. In actual practice, rates were much higher.—Paul Mayet, *Agricultural Insurance in Organic Connection with Savings-Banks, Land-Credit, and the Commutation of Debts*, translated by Arthur Lloyd (London: S. Sonnenschein and Company, 1893), pp. 110, 113.

²⁰ Max Fesca has said: "From what I can see, the fact that every year tenant farmers are increasing in Japan and owner-cultivators are, on the contrary, decreasing is chiefly due to this [i.e., poor crops]." Quoted in Ono Takeo, *Noson Shi*, p. 72.

²¹ Ono Michio, *Kinsei Noson Keizai Shiron*, pp. 340-41; Hirano Yoshitaro, *NSSK*, pp. 22-23.

A similar incident took place in 1878 in Ishikawa prefecture. There about twenty villages resisted, claiming that the assessed value was too high. They won in the end when the governor of the prefecture was replaced. In 1880, peasants from seven counties held a conference and issued a manifesto which said in part:

According to what we hear, such high agricultural taxes as ours can rarely be found in other countries. Now Heaven created mankind; how can there be differences [among the peoples of the various countries] in the eyes of Heaven? The Japanese people alone have borne such heavy burdens, and have been held down in such servile and slavish conditions for more than 2,000 years. This is, indeed, a lamentable situation. This is for no other reason than that we have no independent spirit.²²

The fact that the owner of the land was responsible for the tax made it necessary, from the point of view of the government, that each piece of land have an identifiable owner. This brought up the question of the disposition of large areas of forest and meadow land. Such land in some cases was owned in common by the inhabitants of a village or even several villages, and was a source of fertilizer (in the form of leaves), fodder, fuel, and timber. In other instances the land belonged to the shogun or one of the feudal nobles and the peasants paid a fee for the use of it. When the government issued the land certificates in the 1870's, it divided the forest and meadow land into two categories: government-owned and privately owned land. The latter was made subject to taxes. When the peasants saw what was happening, they decided in many instances to let the government take the land rather than be burdened with additional taxes.²³ Thus there was considerable encroachment by the government on land of this type. From the point of view of the peasants, the loss of the usufruct of such land was not

²² Ono Michio, *Kinsei Noson Keizai Shiron*, p. 383.

²³ "It is said that the fact that so much of our forest and meadow land belongs to the government finds its origin in the disposition of the village common land at that time."—Ono Takeo, *Noson Shi*, p. 366.

The following table will give some idea of the extent of government-owned land:

Gov't-owned	1882	1886	1887	1888	1889	1890
forest land ...	5,391,240	5,713,403	7,130,368	7,584,680	8,040,170	3,750,140
Imperial land ...	1,110	31,574	32,257	41,271	1,129,048	3,654,533

This table comes from Hirano Yoshitaro, *Meiji Ishin ni Okeru Seijiteki Shihai Keitai* [The Form of Political Control in the Meiji Restoration] (Tokyo, 1932) a brochure in the series, *Nihon Shihonshugi Hattatsu Shi Koza* [Lectures on the Development of Japanese Capitalism], p. 54.

unimportant. By forcing them to purchase fodder, fuel, and so forth, it hastened the decline of the more or less self-sufficient farm economy.

There is little doubt that, generally speaking, the establishment of the land-tax system left the peasants discontented. The rash of peasant revolts that broke out between 1873 and 1878 would seem to support this view. These revolts forced the government to make a number of concessions. In January 1876, a rice-deposit system was inaugurated, enabling the peasants to pay up to one third of the tax in kind. The deposited rice was to be sold when prices were favorable some time before the tax fell due. Peasants in almost every prefecture took advantage of this provision. This was followed by a reduction in the tax rate from 3 per cent to 2.5 per cent in January 1877. In September of the same year, arrangements were made so that the payment could be postponed in times of poor harvests. Two months later, in November, the peasants were allowed, in the case of paddy fields, to pay one half of the tax in kind, on the basis of the price of rice used in calculating the "legal value" of the land in 1873.²⁴

II

After 1878 the need for such palliatives became less for a few years since the rise in the price of rice improved the economic position of the agricultural population.²⁵ Although the government tried to regulate the price of rice through purchases and sales, and through the control of imports and exports, there was a general tendency for the price to rise over the years. One reason for this was the increase in population. If population in 1872 is taken as a base of 100, by 1887 the population had increased to 111.2. Since this increase was due largely to an increased birth rate owing to the abolition of abortion and infanticide,

²⁴ Ono Michio, *Kinsei Noson Keizai Shiron*, pp. 368-70, 335.

²⁵ The following table from Ono Takeo, *Noson Shi*, pp. 77-78, shows the fluctuations in the price of rice:

1870.....	7.000 yen per <i>koku</i>	1879.....	7.500 yen
1871.....	3.900	1880.....	10.200
1872.....	3.200	1881.....	9.300
1873.....	4.600	1882.....	7.700
1874.....	7.000	1883.....	6.000
1875.....	5.300	1884.....	4.900
1876.....	4.700	1885.....	5.700
1877.....	4.900	1886.....	5.100
1878.....	5.500		

it meant that the producing population had decreased in relation to the total population. Whereas in 1875 the ratio of men between the ages of 15 and 59 to the total population had been 63.1 per cent, by 1887 it had dropped to 58 per cent.²⁶

But the sharp rise in the price of rice after 1879 came mostly from the serious currency inflation. Ever since the Restoration of 1867, a certain amount of inflation had been going on, but for a while its effects were not felt because the demand for money had increased as the country shifted from a natural to a money economy.²⁷ In 1877, however, the government was forced to print 27 million yen of inconvertible notes in order to help defray the cost of suppressing the Satsuma Rebellion which broke out in southern Japan. All told, by 1881 about 142 million yen of inconvertible notes had been issued. Consequently, the paper notes declined in value to a point where a one yen silver coin was worth 1.73 yen in paper.²⁸ As a result of this inflation, prices of commodities, including that of rice, rose sharply. The price of rice in 1880, for instance, was more than double that of 1877.²⁹

Since the tax on land stayed fixed, all those who owned land were able to profit from this increase in the price of rice. This was not true, however, of tenant farmers who numbered about one fifth of the farming population (and to some extent of part tenants who numbered about two fifths). Although tenancy practices varied from locality to locality, in general the rent was paid in kind and amounted to 50 or 60 per cent of the gross yield. Hence, as prices rose the landlord was able to secure increasing amounts for his share of the crop, since the land tax that he paid did not increase. It has been calculated that on the basis of the average price of rice for the period 1878-1887 the division of the proceeds from the land was as follows: 11.5 per cent for the state (in the form of tax), 56.5 per cent for the landlord, and 32 per cent for the tenant.³⁰ We should not be surprised to learn, therefore, that in 1880 some tenant farmers in Bitchu-no-kuni offered to pay their rent in money at the rate of 8 per cent of the value of the land.

²⁶ Watanabe Shinichi, *Nihon Noson Jin'ko Ron* [On Japanese Agricultural Population] (Tokyo, 1938), pp. 18-19.

²⁷ G. C. Allen, *A Short Economic History of Modern Japan, 1867-1937* (London: G. Allen and Unwin, 1946), pp. 35-36.

²⁸ Ono Takeo, *Noson Shi*, p. 152.

²⁹ See note 25 above.

³⁰ See table in E. H. Norman, *Japan's Emergence*, p. 150. n. On the amount of tenancy, see note 50 below.

The landlords refused this proposal, and offered instead to lower the rent somewhat.³¹

There were other conditions that made the economic position of the tenant farmer precarious. Tenure was very insecure. In the majority of cases, rent contracts ran from three to five years. Although it was customary for the landlord to reduce the rent in times of poor harvest, such provisions were seldom written into the contract. Hence in this matter the tenant had to rely on the good will of his landlord. Since the tenants were never compensated for any improvements they made, no attempt was made to improve the soil, and consequently the yield of rented land was lower than that of land cultivated by the owner.³² In case of trouble or controversy between the landlord and the tenant, the officials were quite likely to side with the landlord. In at least one known case the governor of a prefecture in ordering the tenants to pay their rent said that since the rent "is the base which creates the land tax, tenants are to pay with the idea that they are paying the land tax."³³ And if tenants ever got into arrears in their rent, they could be evicted. In such a case the landlord took as a matter of course all the standing crops.

The favoritism toward the landlords also extended to the granting of land certificates. As already mentioned, the alienation of land was at one time forbidden, but in practice this ban was circumvented one way or another. Sometimes a peasant would mortgage his land to a moneylender or a wealthy merchant, retaining at the same time the right of permanent tenancy. When the government reformed the land system, it issued the land certificate to the holder of the mortgage, making him, thereby, the outright owner of the land and nullifying the rights of the cultivator.

Something similar to this took place in the case of reclaimed land. During the period of national isolation, the authorities encouraged the reclamation of wasteland in order to increase the food supply. This gave wealthy merchants an opportunity to invest some of their surplus funds in land. A common method was to enter into agreements with landless peasants. The merchants furnished the capital, while the peasants supplied the labor. In return for paying a certain portion of

³¹ Hirano Yoshitaro, *NSSK*, p. 36.

³² P. Mayet, *Agricultural Insurance*, pp. 148-50.

³³ Hirano Yoshitaro, *NSSK*, p. 26.

the crop to the merchants, the peasants were granted either long-term or permanent tenancy. Although the exact area of land held on such a basis is not known, it is said that it was not inconsiderable, being especially widespread in Kochi, Kumamoto, Osaka, Tokushima, Aichi, and Niigata prefectures.

When the time came to issue the land certificates, the government gave them to the one who supplied the capital, rather than to the one actually tilling the soil. They were issued on the condition that one of the two parties should buy the rights of the other. Yet the very fact that the capitalist now possessed the land certificate strengthened his position so that he was usually in no mood to negotiate. On the other hand, many of the peasants were not anxious to buy title to the land; all they desired was the right to continue to cultivate the holding. Numerous disputes resulted. As a solution, the governor of Kochi prefecture suggested that the land be divided equally between the two parties, but the merchant capitalists refused.³⁴

The case of the tenancy dispute in Chikugo-no-kuni (present-day Fukuoka prefecture) will serve as a good illustration of this problem. In this locality the land certificates were issued to the merchants at their request. The tenants then refused to pay them their share of the crop. As a result, some were evicted. The dispute lasted for four years, and finally in 1876 a petition containing 975 signatures was presented to the prefectural authorities by the tenants, asking intercession in their favor. According to this petition, the tenants not only paid from one to three *to* ($to = 0.512$ bushels) of rice per *tanbu* ($tanbu = 0.245$ acres) to the merchants, but also paid the seignorial dues and were subject to forced labor. Moreover, since they had improved the land over a period of decades, the amount paid to the merchant capitalists was relatively low, so that this land could be profitably subrented. Therefore, if the rights of the merchants were worth 20 yen, the rights of the tenants were worth 30 to 50 yen. The tenants argued that, whereas in the past they had borrowed money with this land as security, they could no longer do so since title had been given to the merchants. They therefore asked the authorities that their rights be purchased at the customary price, or that the land be divided in the same proportion as the division of the crop. In reply the officials handed down a decision that one of the parties should purchase the rights of the other, or that the

³⁴ Hirano Yoshitaro, *Gikai Oyobi Hosei Shi* [A History of the Diet and the Legal System] (Tokyo, 1932), in the series, *Nihon Shihonshugi Hattatsu Shi Koza*, p. 45.

land should be divided. Although this was agreeable to the peasants, the merchants refused to accept it. In 1888 the question was temporarily settled when the governor of Fukuoka prefecture made those parties who had not yet come to an agreement sign a contract clarifying their respective rights.³⁵ It might be mentioned in passing that the government eventually made a provision in the civil code reducing permanent tenancy to tenancy running from twenty to fifty years.³⁶

So far we have seen that the recognition of the principle of the private ownership of land created a substantial number of small peasant proprietors. But during the first few years the relatively high land tax, the difficulties of converting the rice crop into money, and the loss of the usufruct of forest and meadow land put the small landholder in a disadvantageous position. He was given relief after 1877 when the tax rate was reduced to 2.5 per cent and the price of rice rose owing to inflation. Tenant farmers, on the other hand, were unable to benefit from the rise in prices. Also the peasant who had mortgaged his land or had reclaimed land in partnership with a merchant capitalist had difficulty in securing title to land.

If there was any tendency toward increased farm tenancy and concentration of landownership in the 1870's, it was greatly accentuated after 1881 when the government embarked on a policy of fiat deflation.

III

Although the fiat inflation had brought prosperity, it was not without its drawbacks. Rising prices meant, in effect, a reduction in government revenues. This hampered the policy of expanding armaments and of encouraging industry through the use of subsidies. Moreover, increased speculation brought about a rise in the interest rate which, in turn, depressed the price of government bonds, many of which were held by the nobility. Finally, prosperity stimulated imports and created an unfavorable balance of trade and an outflow of specie. Therefore, in December 1881, Matsukata, the Minister of Finance, presented a memorial urging the government to call in the inconvertible notes and to establish a central bank. He realized that a depression would follow and that he would be attacked for his deflationary policy. So he first fortified his position by obtaining the approval of the emperor in

³⁵ This is condensed from the account given in Ono Takeo, *Noson Shi*, pp. 99-101.

³⁶ Seiyei Wakukawa, "The Japanese Farm-tenancy System," in *Japan's Prospects*, edited by Douglas G. Haring (Cambridge: Harvard University Press, 1946), p. 131.

an imperial conference, and then proceeded to deflate the currency.³⁷ The upswing in the business cycle which had begun in 1877 came to an end. A recent student of business cycles in Japan has written as follows:

Just as the state was a potent factor in initiating the expansion, it also proved itself to be capable of reversing the movement. With autocratic vigor and unflinching faith in the outcome, Matsukata embarked on a deflationary policy as he assumed the office of Finance Minister in October, 1881. For four years he lent a deaf ear to all the outcries of opposition and achieved his objective of a convertible currency system in January, 1886.³⁸

Between the years 1882 and 1885, Matsukata froze all government expenditures, using the surplus to retire the notes. The circulation of government notes dropped from 109,369,014 yen in 1882 to 67,800,839 yen in 1886, and likewise bank notes decreased from 34,396,818 yen in 1881 to 30,155,389 yen in 1885.³⁹ This was accompanied by a steady drop in prices as the following table indicates:⁴⁰

	1882	1883	1884
Commodity price index (1876 = 100).....	140.5	114.1	101.9
Rice price index (1876 = 100).....	178.8	129.5	104.2

The deflation played havoc with the national economy. Many small business concerns that had been established in the brief period of prosperity were forced into bankruptcy. Farm incomes took a sharp drop. Owing to the fact that the land tax stayed fixed, and local taxes were increased slightly, paddy fields in some cases could no longer be cultivated profitably.⁴¹ The following table will give some idea of the effect of the deflation on agricultural producers:⁴²

³⁷ Ono Takeo, *Noson Shi*, pp. 157-58.

³⁸ Shigeto Tsuru, "Economic Fluctuations in Japan, 1868-1893," *Review of Economic Statistics*, XXIII (1941), 180. Although the Japanese depression came at about the same time as the European depression, it does not seem to have been influenced to any great extent by the latter.

³⁹ Yagisawa Zenji, "Meiji Shoki no Defureshion to Nogyo Kyoko" [Deflation and Agricultural Panic in the Early Meiji Period], *Shakai Keizai Shigaku* [Journal of Social and Economic History], II (1932), 263.

⁴⁰ *Ibid.*, pp. 264-65.

⁴¹ According to the original law which established the tax system, the tax was to be lowered eventually and the land revalued for tax purposes. In 1880 when the time came for revaluation, some adjustments were made in a few areas, but nationwide revaluation was postponed. In 1884, a new decree on the land tax omitted the clause that promised reduction to 1 per cent. Reduction of the land tax was opposed by Iwakura Tomomi, who said that the object of taxes was to build up a powerful country, and by Matsukata, who argued that the land tax must provide a large part of the revenue since industry and commerce were not flourishing.—Ono Michio, *Kinsei Noson Keizai Shiron*, pp. 308-17.

⁴² Adapted from the table in Ono Takeo, *Noson Shi*, p. 118.

Place	Year	Income from 1 Tanbu (Yen)	Labor, Fertilizer	Land Tax	Local Tax	Profit
Aichi	1880	24.144	6.00	2.25	1.08	14.814
	1884	9.877	4.00	2.25	1.35	2.277
Gumma	1880	33.30	8.725	2.00	1.35	21.273
	1884	15.00	8.325	2.00	2.016	2.659
Chiba, Ibaraki	1880	17.083	8.378	0.897	0.271	7.538
	1884	6.218	3.13	0.897	0.65	1.541
Shizuoka	1880	16.964	7.30	1.60	0.708	7.346
	1884	4.928	5.90	1.60	0.968	3.55*
Shiga	1880	18.90	11.00	1.42	0.61	5.848
	1884	7.20	5.55	1.42	0.71	0.444*
Tottori	1880	16.48	8.00	1.741	0.47	6.269
	1884	6.65	5.50	1.741	0.75	1.343*

* Loss.

It is not surprising, therefore, that many peasants experienced considerable difficulty in meeting their taxes. But, to make matters worse, between 1881 and 1885 the peasants were harassed by a series of natural calamities, which in some extreme cases destroyed the entire crop. In 1881 there was damage from floods and insects in several localities, and the following year rainstorms, hailstorms, and floods affected almost the entire country. Floods struck again in 1883, and in 1884 severe rainstorms raged over the whole country.⁴³

Between January 1, 1881, and February 21, 1886, 264,742 persons received loans from an emergency fund to pay their taxes.⁴⁴ Moreover, between 1883 and 1890, 367,744 peasant proprietors were dispossessed for failure to pay taxes. Although the total amount in arrears was 114,178 yen or an average of 0.31 yen per person, the total value of the land auctioned or confiscated was 4,944,393 yen or roughly 27 times

⁴³ Ono Takeo, *Noson Shi*, pp. 281-85.

⁴⁴ In 1880, the law permitting delay in the payment of the land tax was repealed and replaced by a system of loans. The government appropriated 1,200,000 yen for a loan fund to which peasants were to make payments. In times of need loans were made from this fund.—Ono Michio, *Kinsei Noson Keizai Shiron*, pp. 335-36.

the amount in arrears.⁴⁵ The following table will provide more detailed statistics for the years 1883-1885:⁴⁶

Year	No. of Persons Dispossessed	Amt. of Tax Owed (Yen)	Av. Per Person (Yen)	Area of Land Sold	Value of Land Sold (Yen)	Price of Public Sale (Yen)
1883	33,845	25,889	0.76	4,531 <i>cho</i>	905,645	267,187
1884	70,605	30,533	0.43	8,319	1,260,606	545,519
1885	108,055	26,423	0.24	8,933	2,664,879	244,192

If such a large number of agricultural producers were dispossessed for failure to pay their taxes, it is very likely that even more peasants lost their land through mortgage foreclosure. For contemporary documents show quite clearly that peasants took every possible means to avoid forced tax sales, resorting even to loans at usurious rates from moneylenders. Although no accurate statistics are available, Paul Mayet has estimated that, in the three-year period between 1884 and 1886, 203,300,000 yen of land was foreclosed, and that loans made against mortgaged land amounted to 165,800,000 yen.⁴⁷

It is not surprising, therefore, that in various districts, particularly the mountainous areas of central Japan, debt-ridden peasants organized themselves into groups with names like "Debtors' party," "Poor Peoples' party," and "Tenants' party." They demanded lower rents, cheaper interest, and debt moratorium. Between 1882 and 1885 a number of revolts broke out in which these parties played an active part.⁴⁸

The obverse of this loss of land by peasants was the concentration of land in the hands of a few landlords and moneylenders. Undoubtedly many of the small landlords suffered losses during this period, but those with extra capital were in a position to take advantage of the plight of the impoverished peasants and acquire land at low prices. In this connection the case history of the Saito family is illuminating. In recent times this family owned about 1,500 *cho* (3,675 acres) of land, making it one of the largest landowners in northern Japan. Several centuries ago, this family owned and cultivated from 10 to 18 *cho*. In addition to farming, they engaged in brewing, and also acted as pawn-

⁴⁵ Mayet's figures cited by E. H. Norman, *Japan's Emergence*, p. 144.

⁴⁶ This is based on Hirano's figures as cited by Ono Michio, *Kinsei Noson Keizai Shiron*, pp. 397-98, and on Watanabe Shinichi, *Nihon Noson Jinko Ron*, p. 34.

⁴⁷ Ono Michio, *Kinsei Noson Keizai Shiron*, p. 398.

⁴⁸ Most of the standard works on Japanese political and constitutional history deal with these revolts. Particularly useful are Otsu Junichiro, *Dai Nihon Kensei Shi* [Comprehensive Constitutional History of Japan] (Tokyo, 1927), Vol. II; Itagaki Taisuke, *Jiyuto Shi* [History of the Liberal Party] (Tokyo, 1910), Vol. II.

brokers and moneylenders. About 1879, the ninth generation Saito quit cultivating land and rented it all out to tenant farmers. Then in 1882 he also left the pawnbroking business, and in 1889 he gave up brewing to concentrate on moneylending. He was active in several neighboring counties, and had numerous pawnbrokers acting as agents for him. He shared with his agents the interest he collected, but made the agents responsible for the repayment of the loans. In 1890 he was able to add 660 *cho* of land to the 450 *cho* he already owned.⁴⁹

Various statistics which are available also indicate the trend toward the concentration of landownership. According to one source, the increase in the percentage of tenant land to the total cultivated area was as follows:⁵⁰

1873.....	31.10	per cent
1883.....	36.75	
1887.....	39.34	
1892.....	39.99	
1905.....	43.90	

The decrease in the number of persons qualified to vote and eligible for office also points to the decline in the economic position of the small and middle peasants. In 1881, 1,809,610 persons were able to vote because they paid taxes of five yen or more; but in 1886 the number had been reduced to 1,488,107. Likewise, in 1881, 879,347 persons paid more than ten yen in taxes, making them eligible for election to office; but in 1886 this number dropped to 809,880.⁵¹ Finally, statistics on the number of landlords in Niigata prefecture owning land valued at 10,000 yen or more show an increase from 341 to 393 in one year between 1884 and 1885.⁵²

So far we have been describing the effects of the depression on the peasantry in terms of impersonal statistics that tell us something of what happened to them as a group; but when we turn to contemporary accounts, both newspaper and official, we can get a much more graphic picture, both of the plight of the individual peasant and of the conditions in the rural areas.

⁴⁹ Ono Takeo, *Noson Shi*, p. 58.

⁵⁰ Inaoka Susumu, *Nomin no Jotai Oyobi Nomin Undo Shi* [A Short History of the Condition of the Peasantry and Agricultural Movements] (Tokyo, 1932), p. 8. This is another in the series of brochures issued under the general title, *Nihon Shihonshugi Hattatsu Shi Koza*.

⁵¹ E. H. Norman, *Japan's Emergence*, pp. 146-47.

⁵² From the table in Ono Takeo, *Noson Shi*, pp. 67-68.

In 1885 the Home Ministry sent officials to various districts, especially the northern prefectures, to report on the conditions in the countryside. According to the report on Aomori prefecture, the peasants were hit by the poor harvest during the preceding year, as well as by the sharp drop in the price of horses, now selling for less than four yen in contrast to forty yen in 1881. Many of the poor were sleeping on straw since they possessed no blankets. "Generally speaking," says the report, "seven or eight out of ten people are living almost like horses and cattle."⁵³ Naturally under such conditions most of the peasants were unable to pay their taxes, but some, when threatened with dispossession, mortgaged their land, while others sold it at a sacrifice. Although conditions in Akita prefecture were in general not so bad, certain mountainous areas were hard-hit. "In all the areas we have inspected," says the report on Akita prefecture, "there has been an increase in robbery recently. Moreover, the fact that most of the goods stolen consists of food is one proof that there has been an increase in the number of poor who are short of food." The official goes on to report that he saw many beggars and that farm laborers were glad to work for nothing more than three meals a day. Nevertheless, tax collection was not reduced much, indicating probably that many of the peasants had mortgaged their land to secure funds with which to pay the land tax.⁵⁴

In Ishikawa prefecture there were beggars all over the area, and by the spring of 1885 the police were unable to cope with them. From the report on Kanagawa prefecture we learn that, when kitchens were set up to serve rice gruel to the poor, countless numbers gathered before the doors were opened at three o'clock in the afternoon and that there were numerous quarrels over who should be first in line.⁵⁵

Newspaper accounts were in a similar vein. In Fukuoka prefecture, for instance, some of the poor were eating bark. Bark taken from pine trees was soaked in running water and dried; it was then pounded and mixed with flour. This mixture was dropped into boiling water and made into dumplings.⁵⁶ In Naka county in Wakayama prefecture, 10,240 people out of a population of 80,000 were barely surviving by eating a little rice gruel, and there were more than 3,000 who were on

⁵³ *Ibid.*, p. 171.

⁵⁴ *Ibid.*, p. 172.

⁵⁵ *Ibid.*, pp. 173-74.

⁵⁶ *Ibid.*, p. 181.

the verge of starvation. Philanthropists in the various villages contributed grain and money.⁵⁷ In Kaga, 800 poor asked to be imprisoned rather than suffer from starvation and exposure in the cold weather.⁵⁸

IV

In Japan the concentration of land in the hands of the landlords did not lead, as it did in England, to the development of a new type of large-scale agriculture operated for profit on a capitalistic basis by the use of hired farm labor. Instead, the old system of pygmy-sized farms cultivated with primitive methods and the lavish use of human labor persisted. One reason behind this phenomenon was the high rent that characterized Japanese agriculture. So long as the landlord could sit back and collect 50 or 60 per cent of the crop, there was little incentive for him to become a capitalistic farmer. It was much safer and more profitable to rent out land to tenant farmers, and engage in usury and small rural enterprises like brewing which utilized farm products (in this case rice collected as rent) and cheap rural labor.⁵⁹ The peasant expropriation, therefore, did not create a large body of industrial and agricultural wage workers. It simply increased the number of tenant and part-tenant farmers whose precarious economic position made it necessary for them to mobilize the entire labor resources of the family to engage in intensive agriculture and in subsidiary industries like sericulture.⁶⁰

Among the peasant families that lost their land, those who could not find land to rent or secure agricultural work undoubtedly migrated to the cities to become urban laborers of one kind or another. This helped to create a free labor force which made further industrialization possible. In fact, during the depression period there was an expansion in cotton spinning, railroad construction, shipbuilding, and mineral production.⁶¹ There are indications, according to Horie Yasuzo, that

⁵⁷ *Ibid.*, p. 178.

⁵⁸ P. Mayet, *Agricultural Insurance*, p. 67.

⁵⁹ For this section I am heavily indebted to Chapter 5 of E. Herbert Norman's *Japan's Emergence as a Modern State*, which pioneered in the use of Japanese sources.

⁶⁰ One method of intensifying agriculture is to plant crops that require more labor but yield a larger gross return. For instance, hemp requires six times as much labor as upland rice and so is unprofitable in terms of labor expended, but it produces a larger gross income. See Isobe H., "Labor Conditions in Japanese Agriculture," *Bulletin of the Utsunomiya Agricultural College*, II (1937), 57-58.

⁶¹ Shigeto Tsuru, "Economic Fluctuations in Japan, 1868-1893," *Review of Economic Statistics*, XXIII (1941), 180.

many of the spinning mills established after the deflation were started because of the plentiful supply of potential operatives.⁶²

Yet industrial development was not sufficiently advanced to absorb all of the displaced rural population. This was particularly true of the male workers since heavy industry was still on a small scale. Consequently, there was a tendency for labor to flow back into the farm villages, creating a reservoir of potential labor, "aggravating the already congested condition of life in the countryside and acting as a depressing factor on the standard of living in the village."⁶³ Many of these people, who were, as E. H. Norman so aptly put it, "living in that limbo lying between agricultural employment, which is closed behind them, and urban industry which has not yet opened before them,"⁶⁴ took up domestic industry since the presence of this surplus labor attracted small-scale manufacturers to the countryside. There the work was done on a piecework basis by households in a condition of chronic poverty. By using this kind of surplus rural labor, Japanese entrepreneurs gained, notes Mr. Norman, "a certain flexibility in the wage fund, awaiting the sporadic rise and fall of market demands without the risk of deterioration or obsolescence of stock and factory equipment during slack times."⁶⁵ It hardly needs to be mentioned that even in recent times a considerable portion of the industrial output came from "little wooden factories-in-the-home where father, mother, sons, daughters, and perhaps an apprentice" worked.⁶⁶

Finally it should be pointed out that the establishment of the land tax and the subsequent dispossession of the peasantry contributed to the limitation of the home market. The high land tax left the small peasant proprietor with little surplus with which to buy manufactured goods.⁶⁷ As for the landless peasants who stayed in the farm villages

⁶² Horie Yasuzo, "An Outline of the Rise of Modern Capitalism in Japan," *Kyoto University Economic Review*, XI (1930), 109.

⁶³ E. H. Norman, *Japan's Emergence*, p. 158.

⁶⁴ *Ibid.*, p. 159.

⁶⁵ *Ibid.*

⁶⁶ "Men, Yen and Machines," *Fortune*, XIV (September 1936), 132.

⁶⁷ Paul Mayet once estimated that the annual income of a tenant farmer, including income from subsidiary occupations, was between 44 and 66 yen; of a landowning peasant, 54 and 59 yen.—Horie Yasuzo, "The Development of the Domestic Market in the Early Years of Meiji," *Kyoto University Economic Review*, XV (1940), 57. This is more or less substantiated by the autobiography of Sakai Toshihiko, the well-known Japanese socialist, who states that his family, which was one of the poorer *samurai* families, was able to get along on 5 yen a month.—*Sakai Toshiko Den* [The Biography of Sakai Toshihiko], in *Gendai Nihon Bungaku Zenshu* [Collected Works on Modern Japanese Literature] (Tokyo, 1930), XXXIX, 261.

as tenant farmers, the high rent as well as the fact that they produced some of their daily necessities made them a poor outlet for commodities.⁶⁸ The impoverished surplus population engaged in domestic industry and the urban proletariat whose wage scales were depressed because of the reservoir of potential labor in the farm villages also had little money to spend. The resultant limitation of the home market was an important factor in forcing Japanese industrialists to turn to foreign markets. This is evident in the case of the textile industry which grew very rapidly in the late 1880's.⁶⁹ By 1890 the members of the Nihon Boseki Rengo-kai (Japanese Spinners' Association) made agreements to curtail production because of the glut of surplus goods.⁷⁰ After the opening of the Chinese market following the Sino-Japanese war of 1894-1895, the textile industry again saw phenomenal growth.⁷¹ The agrarian settlement can therefore be considered an important element in the dynamics of Japanese imperialism.

Thus, it can be said that some of the important characteristics of modern Japanese economy found their origin in the transition from a system of servile tenure to that of private ownership of land. A substantial number of small peasant proprietors were created in the 1870's, but many of these proprietors were later reduced to tenant farmers. When the government embarked on a policy of fiat deflation, this trend was accentuated and many peasants lost their holdings. This resulted not in modernized agriculture but in increased tenancy and

⁶⁸ "Whereas wage-earning labourers, who possess neither the sources of livelihood nor the means of production, spend their earnings on capitalistic commodities, tenant farmers who possess some of the sources of livelihood and certain productive media and who, besides, carry on various kinds of subsidiary industry, spend comparatively little in the purchase of commodities, especially as they get along with very little in the way of money."—Horie Yasuzo, "Rise of Modern Capitalism in Japan," *Kyoto University Economic Review*, XI (1930), 58.

⁶⁹ Taking the year 1882 as 100, the production of cotton yarn increased to 308.7 in 1887, 424.7 in 1888, 893.7 in 1889, and 1,397.4 in 1890.—Sampei Takako, *Nihon Mengyo Hattatsu Shi* [History of the Development of the Japanese Cotton Industry] (Tokyo, 1941), p. 70.

⁷⁰ The text of this agreement is given in *ibid.*, pp. 71-72.

⁷¹ "Victory in the Sino-Japanese war not only created the basis for the acquisition of raw materials for the development of Japanese industry—in actual practice the acquisition of Formosa and the nominal independence of Korea, which were the results of the Sino-Japanese war, were inadequate for obtaining raw materials—but also partly satisfied the demand for opening markets. That is, the export of Japanese cotton wear was made easier by the Treaty of Shimonoseki which opened Soochow and Hankow to foreign trade and gave Japan monopoly in the Korean market, and the right of navigation in the Yangtse river together with special commercial and industrial rights in the region, as well as by the creation of steamship lines to China. Hence victory in the Sino-Japanese war was of service in solving the serious problem of over-production [whose solution was necessary] for the development of the spinning industry, the progenitor of light industry, and a key industry in the growth of Japanese capitalism."—*Ibid.*, pp. 91-92.

the persistence of small-scale farming. Some of the dispossessed peasants migrated to the cities, thereby creating a free labor force which made industrialization possible. There was also created at this time a pool of impoverished surplus labor which dragged down the wage scale. The presence of cheap labor gave Japanese entrepreneurs certain advantages but at the same time limited the home market. Hence, numerous social and economic phenomena of modern Japan had as their source the conditions of Japanese agriculture and the distribution of landownership.

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