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INFLUENCE OF AMERICAN ECONOMICS ON ECONOMIC THINKINGS IN JAPAN

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(1)

Throughout the history of modern Japan, American influence is most remarkable in a few decades before and after the Meiji Restoration and also in the last twenty five years after World War II. In the middle of 19th Century America became the most interested out of all other prominent western nations including Russia, Portugal, Spain and even England in opening Japanese ports. Although (under certain circumstances) Japan would have been forced to open sooner or later, it is a tribute to American government decision to dispatch a considerably large naval force under Commodore Matthew Perry that Japan came actually into being a member of the world nations. Naturally, the success of America opening Japan was further cemented by a man of great preservice, Townsend Harris, who was the first American consul. Through his tact diplomacy he was able to persuade and advice Japanese authorities on making a full commercial treaty with America and other European powers. Japan was surely fortunate in having made its first contacts with the peaceful and friendly American people instead of the Europeans who were at that time rapacious and unscrupulous. Thus it is not too much to say that during the decade before and after the Meiji Restoration the foreign contribution to Japan's modernization was substantially dominated by the United States in a variety of fields. Thereafter, however, Japan turned to Germany and especially Prussia for many ideas and institutions, because they shared the timing of emergence with certain common problems of development.

It would not be necessary to refer to the second American impact during its occupation periods of seven years after World War II and from then on up to the present. But, how far has Japan been favored in its advancement of nationhood through the drastic contact with American challenge? Perhaps no one will make an exact assessment on this question, especially in terms of science and technology, economic welfare and politics. But I would say that there is no other greater contributions comparable to this case in the whole history of Japan.

In 1835 Francis Wayland (1793-1865), Baptist Reverend, came to providence, which is the capital city of Rhode Island State, in order to take an active position as president of Brown University. He stayed in this

position for twenty eight years, combining his responsibilities with the teachings of moral philosophy. 'The Elements of Political Economy' was written by him in 1837. This book was widely read among the general public in the days before the American Civil War. Adam Smith found one of his followers, enthusiastic and imaginative, in Wayland in America as he did J.B. Say in France. Say had clearly an intention to put emphasis on the decisive role of supply function instead of demand one for solving the problem of general glut controversial in contemporary business reality, whereas Wayland remained to be a more faithful and devoted successor¹⁾. That book was the first one of western economics which was ever taught at school in Japan. As history tells us, Y. Fukuzawa (1835-1901) gave lectures on economics for the first time in Japan based on a book written in English, and its author was Wayland. It was in 1861, the time when the majority of its people was increasingly becoming Xenophobia clearly suggested in a slogan - 'Revering the Emperor and Repelling the Barbarian'²⁾.

There were quite a few like the young Samurai, Fukuzawa. He was a student of the Dutch in the last years of Tokugawa regime, who had become aware of western concepts, and later under the influence of American ideals became a prolific writer, established a great newspaper, and founded an educational institution which was eventually developed into Keio University - one of the several great universities of modern Tokyo. It was founded as a small private school in the 1850's at Shiba district, Tokyo, and was really one of the most boldly-conceived and boldly-executed adventures Japan has ever seen³⁾. For the teaching of 'independence and self-respect' that he persistently advocated could not easily find its way among the public, even among the governmental bureaucrats and officials.

There is much of evidence that a great many of Japanese students went to America and enthusiastically read books on economics and politics by American writers in the chaotic periods before and after the Meiji Restoration. Charles Lanman, a secretary of American Embassy to Japan, then staying in Japan since 1861, edited a book named 'The Japanese in America', New York, 1872. It is reported that no less than five hundred Japanese students had been staying throughout America by 1890, and over two hundred of them lived in New England, such as New Jersey, New York, Pennsylvania, and Maryland. Under those circumstances it is safely inferred that

¹⁾ J. Dorfman, *The Economic Mind in American Civilization*, (A. M. Kelley. New York. 1969) Vol. 3, (1865-1918) pp. 49-83.

²⁾ *Sources of Japanese Tradition*, compiled by R. Tsunoda, WM. Theodore De Bary, and D. Keene (Columbia University Press, 1963) Vol. 2, p. 97.

³⁾ E. Sumiya, *Nihon-Keizai-Gakushi* (History of Economic Doctrines in Japan), (Minerva Press, Tokyo, 1958), p. 72.

a fairly great number of young Japanese were successful in smuggling themselves into American ships, forfeiting their Samurai status by setting off on study travels without any official permission from their local governments. In 1865 the Bakufu, central government, gave permission by law to those who wanted to go abroad. And this undoubtedly made much greater spurt to the burning desire and enthusiasm long pent up within the young elites to learn things from the West.

Getting back to Wayland, his book was translated into Japanese in 1872, 'Elements of Political Economy' (which was published just after the Civil War and almost a quarter of a century the most popular treatise in America) written by Arthur Perry (1830-1905), professor of history, political economy, and German at Mark Hopkin's Williams College, had its Japanese edition in 1870, as well as Amasa Walker's (1799-1875) 'Science of Wealth', who was a definite Jacksonian and outstanding free-trader leading the sentiment and doctrine among the learned as well as business men, in 1875.

Along with the introduction of the free-trader's writings of United States into Japan, there came another impact of a more nationalistic economics most distinctively then presented by Henry Charles Carey (1793-1879) and his followers, and his voluminous book entitled 'Principle of Social Science' (3 volumes, Philadelphia, 1858-59) was put into Japanese in 1885. There was in those days of Japan a never-ending controversy on the tariff issue between politicians, traders, and even intellectuals; and no wonder these books did make an enormous contribution for giving them theoretical background as well as policy measures in the economics of the West.

One of the most epoch-making events in the history of American Economics can be said to have been the establishment of the American Economic Association in 1886, from whence those young promising scholars of America who returned from their studies overseas in Germany and Austria, began doing active research. Thus, much of their achievements were introduced and translated into Japanese over the early days of this century. Among them most distinctive were Richard T. Elly, John B. Clark, E. R. Seligman and later on, Frank W. Taussig and Irving Fischer⁴⁾.

However, this is not the whole story of American influence in the early days of modern Japan. As often remarked before, the most important part of it could only come from Americans themselves who had been, and came, to this country either for public duties as officials, or for giving the gospel of God as missionaries, or even for engaging in trade and industry.

⁴⁾ A. W. Coats, The first two Decades of the American Economic Association, The American Economic Review, Vol. L, No. 4, 1960, pp. 555-574. See also K. Ohara, America-Keizaigaku-no-Shokeitai, (Main Currents of American Economics), (Tokyo keizai Press, 1948), Chapter 2.

And yet, it should be emphatically noted that so many scholars and intellectuals coming from America actually did tremendous work giving information on the ethical, philosophical, and spiritual background, by a society that build the west. This teaching was in fact extremely helpful for the Japanese to understand the concepts and ideas which western economists tried to interpret and recommend all along their writings.

To take our familiar example, William S. Clark (1826-1886), president of Massachusetts Agricultural College, arrived in 1876 to take charge of newly founded Sapporo Agricultural College. Clark, who was well known in Japan, left a lasting influence on this institution which grew eventually into Hokkaido University of today.

Secondly, Dr. Dwight W. Learned (1848-1943) came to Japan as a missionary in 1875 and soon devoted himself to the establishment of Doshisha University. As he had been an ardent scholar of economic freedom in America, his teachings at the university had much appeal to the students. He wrote a textbook during his stay of fifteen years in Japan as a college professor. It is also important to mention that Dr. Learned gave lectures not merely on the economic thinkings based on the experiences of 'open society' in the West, but also on the ideas and ideals of socialism and communism; the introduction of which was really the most pioneering contribution no one had ever attempted by then in this country.

Thirdly we have David Murray (1830-1905). This man was not a professor of economics, but Japan's modern educational setting is indebted for his highly qualified cultural and practical knowledge as a university administrator. Tokyo University and other large institutions established in Tokyo were under his guidance and aspiration. As a matter of fact, Murray's idea in building up the university was to combine the western system into the Japanese way. He came in 1873 and stayed for five years thereafter.

Although these economists were actually great thinkers in America, there was no sign of their dominant influences over the academic circles as well as business leaders. Rather, before World War 1 and during the inter-war period, economic thinking in Japan was under the influence, more of German historical school, less of English Classics, and in particular Marxist thinkings had wider appeal more than other economic ideas of the West.

(2)

The ascendance of Marxist ideas, unique to and characteristic of this country, would be quite a large subject well deserving an elaborate study, but it will suffice for the present purpose of this paper to make a few comments.

Shortly after the turn of the century, particularly during the period of

1910-24, Marxism and other radical thoughts of the West were introduced to Japan, and they blossomed in full glory in the decade of 1926-1937. Marxism has maintained its hold over the Japanese intellectuals in spite of the rigorous government suppression it suffered between the late 1930's and 1945.

The fact that Marxism found a ready and extensive acceptance by the Japanese intellectuals upon its contact with them is due to both universal and particular factors present in Japan. Since Japan was a backward nation which needed as quick a development as possible in order to attain the level of the West, the Marxist formula for "progress" appeared to be the most efficacious approach. This is the case with any backward nation. And it has been amply illustrated by the favourable response to Marxism shown by leaders of the nations which gained independence after World War II.

In Japan during the first decades of the century, there was much of the things against which a Marxist could protest such as—a strongly centralized authoritarian government, the imposition of rigorous national discipline and sacrifice in the name of the state, the rise of the new privileged class whose power and wealth continued to expand, and the widening gap between the privileged and the underprivileged.

Under such circumstances, a formula for the creation of a classless society where wealth was to be equally shared by all the members appeared to be a panacea to the intellectuals.

The fact that they swallowed Marxism was also due to certain built-in conditions in their mentality. One of them was that the Japanese intellectuals had been nurtured, during the preceding era, on German idealism, notably the Hegelian dialectic, which had prepared the intellectual climate for ready acceptance of Marxism and its dialectical materialism. Another mental condition which proved favourable to the support of Marxism by the intellectuals was found in a more remote background. The tradition of Japanese academism had been mainly that of classical Chinese philosophy, which in essence is an antithesis of empirical approach. Thus, the intellectuals who had grown up in the tradition of explaining all phenomena and the essence of the universe itself with a well-patterned monistic theory found dialectical materialism much to their taste.

Later, when they learned Lenin's elaboration of Marxism and his strategy for translating it into reality, Marxism-Leninism appeared to be the manual for solving all the social problems of Japan and a cause to which the intellectuals of Japan should dedicate themselves.

In 1922 some of them organized the Japan Communist Party. Until its demise in 1935 after many arrests of its members, it was for Japanese intellectuals a vehicle with which they felt they could turn their ideas into

action. The economic development that saw the mushrooming of major enterprises into what came to be called *Zaibatsu* and the militaristic expansionist policy pursued by the regime in power made Japan look like a textbook example of Lenin's theory of imperialism. It convinced the intellectuals of the "correctness" of the doctrine they had embraced⁴.

After World War II, Marxism in Japan had its renaissance. The first few postwar years were in fact the best years for the Communists of Japan in their entire history. Their prestige was at its highest because they were practically the only Japanese who had actively opposed the military adventures of the government. Though some of the early Communist leaders had renounced their political faith before the end of the war, many others were still in jail or in exile when Japan surrendered. Released by the Allied Occupation, they emerged as veritable heroes in a country which was repenting its "sinful war". The Communist Party membership multiplied many intellectuals as well as workers who flocked to it. In the atmosphere of those years, it was fashionable to be a Marxist, if not necessarily a card-carrying Communist, because being Marxist meant being "progressive". And in order to be "progressive", one must renounce all the pre-surrender institutions and values.

The nineteen thirties were characterized by the social unrest brought about by the depression, and it is not to be wondered that many economists, especially many economic historians, were attracted to Marxism. Economic history was no longer a servant of political history or constitutional history; on the contrary, these economic historians maintained that economic history determined human history in general. It is an indisputable fact that economic historians all over the world are influenced by Marx, that they are post-Marxians, in Professor Tawney's phrase, whether they agree with the teachings of Marx or not, but the percentage of enthusiastic admirers of Marx was, and is, noticeably higher in Japan than elsewhere, except, of course, in Soviet Russia and her satellites, and Red China.

Economic history in Japan was at first influenced by the economic history of both England and Germany; Thorold Rogers, Ashley and Cunningham, as well as Karl Bucher and Lujo Brentano, may be counted as among the economic historians who early won the respect of the Japanese⁵. But in the course of time ardent admirers of German culture went on increasing in Japan. The German way of thinking began to exercise a stronger sway, not only over statesmen and army men, but also over journalists and scholars. Even young students preferred to go to Germany for further study, instead of to England or to the United States. So, the passionate admira-

⁵ K. Murata, *The Intellectuals of Japan*, *The Journals of Asian Studies*, Vol. XXV, No. 2, 1966, p. 46.

tion for Marx among the Japanese economic historians may have had some connection with this general admiration for things German.

(3)

As Marxist study flourished in the twenties and thirties of this century, American influence declined. Besides Marx, several German economists of various fields, especially business management, offered great attractions to the Japanese, and hence R. Liefmann, K. Dhiel, Gottl, and O. Spann were considered as big names, whose contributions to the present day economic science, however, will be very much doubtful. Nevertheless, it should be noted that a book titled the 'Historical Development of American Economics' was published in Japan by Y. Furuya, professor of Doshisha University, Kyoto, in 1932, when no other economist in European countries and America had ever tried writing this sort of essay. Despite its shallowness both in scope and method, it is quite unique showing a continuous interest by the Japanese economists towards the growing trend of American economics.

However, through the twenties and thirties, the influence of American economics had become gradually distinct. In the U.S.A., just after the impact of the great depression in 1928, there was a series of new economic thinkings emerging among the people who were directly taking charge of the solution of impending problems, and also indirectly experienced the days of the New Deal⁶⁾. Along with the economic expansion of America, philosophy and analysis in economics underwent a change and modifications to a great extent. To take some examples, one of the well-known magazines, 'Review of Economic Studies' was first published mostly by young promising economists in the U.S.A. in 1933, and in the same year, another first-class journal 'Econometrica' was born. So, the young able scholars in Japan, though comparatively small in number, were profoundly influenced by the new trend of economics appearing in these magazines and journals.

One of the reasons why they actually began to pay more attention to the American new economics can be explained through the fact that more and more refugees from the European continent flowed into the free world mostly out of political difficulties in their own lands, particularly in Germany and Austria. Those economists whose names have been quite familiar in Japan, such as Schumpeter, Harberler, Marschacke, Morgenstern, Lederer, and Machlup, came to America and started writing in English instead of their own languages.

⁶⁾ G. J. Stigler, The Economist and the State, The American Economic Review, Vol. LV, No. 1, 1965, p. 17.

E. H. Chamberlin (1899-) wrote a first rate book in 1933 which is the substantial contribution to modern economics that America has ever produced. There came out two prominent expository books written by his followers in Japan⁷⁾, but it should be remembered that empiricism and positivism characteristic of American economic thinking have not yet come to general recognition among the students of academic circles in Japan. Although the minority soon became aware of its importance and engaged in its intensive study, it was in fact overshadowed by other dominant economics tinged with more or less totalitarian bias. It was not until the end of war that the distinct nature of American economics had come to full understanding.

A change has come with the end of war. The time of German dominance was drastically ended. Historical method of economic thinking has come to be considered something inadequate or something of no importance in its approach. Although it still has a lasting influence on the basic attitude of the Japanese intellectuals, the inflow has ceased, and the American Economics began to give us the decisive impact and challenge. The explanations for this are as follows. Following the day of Japan's defeat everything has been forced to change and people could not but feel that German culture to which they had been so long attracted declined all over. More directly, it seemed that more than seven year occupation by America showed such tolerance and sympathy as least expected by the Japanese people at the instance of their defeat. As regards the general background for promoting American influence in Japan, it should be remembered that Japan's recovery was so quick particularly in her economic activity. All of these reasons, however, would be overshadowed by a more important factor that American economics has become actually the first rate one both in quality and quantity among the world.

American economics has long been considered here in Japan as the tributary of the Classical Economics in England, being the economics which was borrowed and transplanted from Britain. Even if some of the American economics appeared creative and unparalleled, they were looked upon as the mere application of the Classical theories to American scene. But at the time of the end of war, no one will dispute that the economic science has been most flourished in America. Samuelson once said that it has become the first rate for the past few decades since 1932.

What are then the genuine American products that should be valued as first rate? In the field of the pure economic theory, new analytical techniques and tools have been found. For example, linear programming,

⁷⁾ H. Aoyama, *Dokusen-no-keizairon*, (The theory of Monopoly), 1937, and H. Kumagai, *Kosei-Keizaigaku-no-kisoriron*, (The basic Theories of Welfare Economics), 1948.

the theory of game (though originally born in Germany), and the well-known input-output analysis. They all have been exploited, formulated, and applied into practice first in America, because they were born there. Statistics on the national income and the relevant figures have also been organized and classified with a great deal of availability both in quality and volume, especially under the guidance of the Department of Commerce and other governmental institutions. Needless to say, the econometrics that is today's most powerful weapon of economic analysis was born and has been developed in the States. To this development Cole's Foundation both in its past and present form has been making a great role. You are safe in saying that these developments are the real American products of the highest quality that no other country has ever achieved so far.

(4)

It is quite natural that the growing results of American economics in post-war years have not left Japan's academic circles stone deaf to their powerful challenge. Burning desire to catch up the more advanced level overseas after a long delayed opening of intellectual seclusion is always the case in Japan to kindle a spark of American study, as it was in the time of Meiji Restoration. The influence was really great and the flux of introduced American economic thinkings has been considerably multiplied.

Speaking of pure theory, there is no doubt that the purely theoretical approach has been greatly advanced, which is definitely one of the most distinguished features of postwar American economics. I have already told about another distinct character in its approach to the economic events, that is to say, the empirical method. It is rather interesting to see the fact that the purely theoretical or mathematical approach has tended to be extremely refined and elaborated among the young Japanese scholars, if not very large in number. Their achievements in the theoretical field are not many at present, but it seems that they have come to get international recognition and obtain high appraisal. Quite a few have published their works in world-ranking journals and magazines overseas, e.g. 'American Economic Review', 'Journal of Political Economy', and 'Econometrica' and there is big possibility in the future that they are growing in number. As a result there came out an English Journal named 'International Economic Review' published in 1960 for the first time in Japan. Unlike such fields as physics and mathematics or engineering and medicine, writing articles in English and contributing to foreign journals was scarcely to be seen or quite exceptional, if any. Today, however, there is an increasing number of young economists writing English articles and even books. American influence on

the Japanese economics has become now definite, penetrating into the way of economic thinkings.

M. Bronfenbrenner once pointed out in his article on the state of Japanese Economics that statistics in Japan is terribly poor and too faulty, inexact to be trusted⁸⁾. Certainly it was true, but it also could be said that statistics and figures on Japan's economy have been rapidly improved lately through the efforts of young economists particularly in governmental institutions and universities. Sorting and tabulating machines, e.g. I.B.M. are also introduced mainly from U.S.A., and thus materials and data as well as the empirical research itself have been making remarkable progress on which the most contributing influence is from America.

Summing up, the post-war Japanese economics could be most distinctively characterized by the trend of accepting the numerical approach both in the pure theory and its applied field. In other words, greater emphasis is now put upon the technical apparatus of economic research and the analytical tools for model-making for the present and future, rather than upon the mere description about the cause and effect of economic reality. Before the end of war there were a great deal of arguments on the nature of economics, so much so everyone tended to insist on one's own thinking based upon the individual philosophy. Accordingly they could not have a chance of discussing and communicating each other on the same level. This situation had long continued under Germanic influence until finally it declined through the revival of the international exchange in technology and culture between Japan and the United States of America. Unfortunately there remain not a few social scientists who are still afraid of being affected by advanced ideas and ideals in the economic science represented by American economics, and still trying to hold their own old myth which is somewhat almost traditional to some quarter of the academic world in Japan. However, they are now apparently disappearing, and you will find a growing tendency for the scholars and students of economics to discuss more freely and scientifically on the same arena of economic thinking, that is to say, the empirical approach presented by American economics.

Finally, a few points should be mentioned here about the present americanization of Japanese economics just for its further advancement in the future. Certainly it is highly desirable to see that Japanese economics is becoming numerical and empirical in its approach. But regarding the pure theory it seems that there is the pronounced tendency of carrying it to the extreme, only trying to find out the most elegant systematization within the small sphere of mathematical development. Economic reality sometimes is

⁸⁾ M. Bronfenbrenner, *The State of Economics in Japan*, *The American Economic Review*, 1956, p. 389.

likely to be neglected just because it involves something difficult to solve by means of the elegant mathematical formulation. In consequence all the actual problems involved in Japan's economy tend to be excessively simplified in its formulation or simply driven out of its refined system. We may well take warning from this kind of extremist approach. For, one of the lessons out of Japan's experiences in the past tells us that scholars and students tend to do their specialized research for its own sake quite aloof from the real world. In addition, there is definitely a lack of mobility between the academic economists and those of business, banking, and government institutions. In the States we observe in a feeling of admiration the fact that there is no such thing as the class distinction between the two and also a large number of expert economists are engaged in the works integrating theory and practice, which we may call the intermediate research. This latter type of products in the economic inquiry has provided a sound basis for the rapid advancement of the American economics. Even those who specialize themselves in the pure theory never fail to pay attention to the economic actuality in the states, whereas in Japan there is little or no communication between the business and academic world, though we lately see signs of change. In the light of this fact it is hoped many more economists with good literary style⁹⁾ will appear for the progress of Japanese economics.

⁹⁾ P. A. Samuelson, Economists and the History of Ideas, The American Economic Review, Vol. LII, No. 1, 1962, p. 6.