Japanese Trade

Introduction Japanese society created a stable, high-functioning and integrated economy in the iron age and early post classical period. As was true of all early societies, its foundation was a thriving and well-managed agricultural sector. Farming sustained stable populations and provided a reliable basis for taxation. It produced excess in most years, which allowed for significant segments of society to specialize in sectors other than farming. Japanese growers were extremely capable and worked in concert with the government to build and manage infrastructure projects that all used to their advantage. For more than a millennium, Japan was largely self-sufficient in agriculture and enjoyed a thriving commercial sector (when the country was at peace). At the beginning of the 19th century, however, conditions changed worldwide and Japan entered a short period of economic contraction and humiliation. It had missed the industrial revolution. In the post Meiji Restoration era which began in 1868, Japan began a crash course of economic transformation and industrialization. It was extremely successful in catching up to the west. By the 1930s, Japan's economy produced more and the nation was wealthier than European countries such as Italy and Hungary. After the war, Japan turned its attention to reconstruction and the export economy and was again extremely successful. The economic recovery is a testament to the thrift, hard work and sacrifice of the Japanese labor force. As of this writing, the Japanese economy is a world leader and ranks third in the world in GDP output.

PREHISTORY-- The Neolithic age (10,000 BCE-2000 BCE)

Trade. It is not known the extent to which early Japanese engaged in commerce. But it undoubtedly existed. It is possible that shells or other high value items might have acted as a currency. More likely, however, since there was no common currency, commerce would likely have been based mostly on the barter system. Farmers or craftsmen who were able to grow or create certain items in excess, or more cheaply than others, would have traded for goods, services, food or other needed items. Hunters might have traded meat, hides, bones and sinew to, for example, a shaman in exchange for spiritual wisdom or healing. This interaction would have required some level of communication and trust between settlements and played an important role in the cultural and economic integration of small economic and social regions.

IRON AGE (1000 BCE-500 CE)

Trade. Archaeologists link trade to the development and mastery of iron technology. Some of the iron that has been discovered in dig sites in Japan reveals continental origins. That is not to say that early iron age Japanese were not forging it. However, its shape and composition resembles that which was produced on the mainland. It is very likely that immigrants from Korea and China traded items made of iron with the Japanese and also brought artisans with them who knew how to forge it. Over the course of time, that know how was transferred. In addition, scholars argue that the Japanese were slow to mine the natural resources needed for the forging of iron and imported raw iron ore from the continent until quite late. It is no coincidence that iron technology was first introduced at roughly the same time as wet rice agriculture began to flourish. The trade in rice, technology, and iron tools and weapons tied disparate villages together and helped create the conditions which allowed for the rise of organized society and government.

POST-CLASSICAL AGE (500-1500)

Trade. During the Nara and Heian periods, trade within the country was facilitated by government control of minting. The first coins were minted during the reign of Empress Gemmei (707-715). This was made possible by the discovery of large copper deposits in western Japan. But the Japanese also minted silver and gold coins. It is no surprise that most of these coins resembled coinage on the mainland. Small denominations were round, had a square hole in their center and were carried on a string. On the front were stamped the reign names of the monarch. Large denominations or copper, silver and gold were rectangular. Some had square holes in them, others did not. When paying tax, rice—which could sometimes be a form of currency—was exchanged for silver (the preferred specie for imperial tax collectors) and deposited into the treasury. In this way, a nationwide economy allowed for the exchange of food stuffs and other trade goods.

As Japan moved through the Heian period, commerce grew dramatically. The imposition of law and order along with a transportation infrastructure and the like made it possible for goods to be transported from the rural areas to the capital, the only urban area of any size and consequence. Indeed, the city of Heian/Kyoto was known for trade in food stuffs, tea and items such as silk, a textile that first arrived in Japan in the Yayoi period (300B CE-

300 CE). Merchants in the late post classical age generally made a good living and participated in the culture of the city. However, during periods of instability and war, merchants were some of the first to suffer. In particular, when Kyoto was destroyed in the Ōnin War (1467-1477) commerce largely ceased altogether. Given that there was no central authority, commerce between domains also became problematic and continued that way until reunification had been achieved in the late 16th century. For most of the Warring States period (1477-1600), commerce was possible only between two non-warring domains, a condition that sometimes existed but which was unpredictable. Even when commerce was possible, each domain set up its own checkpoints on major roads where tolls could be collected and papers checked. The control of coinage also became a problem as civilian authority devolved in the aftermath of the Gempei War (1180-1185). The debasement of coinage was one way to raise revenue, but it also led to inflation. In the early Ashikaga period, commerce was tricky because specie had to be weighed and carefully calibrated. And of course, after the Ōnin War, each great *daimyō* was free to mint their own coinage as they pleased. Commerce therefore suffered from a lack of central authority, a lack of law and order, a lack of freedom of movement and the lack of a nationwide monetary system. In spite of it all, Japanese merchants persevered and emerged in the Edo period (1600-1868) to become some of the great trading houses/companies of the contemporary era.

EARLY MODERN PERIOD (1500-1800 CE)

Trade. In the years after the Battle of Sekigahara in 1600, the Tokugawa began to require that all *daimyō* maintain a residence in Edo and live in the city for one year out of every two. In the year that they were back in their domains, they had to leave in Edo as a hostage their first wife and oldest son (and heir). In this way, the Tokugawa could keep watch on the *daimyō* and if one initiated an uprising back in his domain, the first casualty would be his heir. This led to great processionals (called *sankin kōtai*) as *daimyō* traveled back and forth to their provincial lands. Good roads, bridges, ferries, inns, weigh stations and the like became an essential part of life. Porters were engaged to carry goods, restaurants served food and livery stables cared for horses. Great houses were also built in Edo for these lords, which put to work carpenters, servants, farmers on the outskirts of town who provided food and a whole host of other supporting professions. Banks and other financial institutions created rice or silver paper certificates. But government officials and *daimyō* were not the only ones who benefited from this system. Merchants were able to ship goods between the rapidly growing urban centers of the country. It is believed that Edo's population began to approach one million during this period, Osaka and Kyoto 400,000 each. Over the course of time, some merchants came to be quite wealthy, influential and extraordinarily successful, so much so that by the late 18th century, they were challenging the concept that merchants should be at the bottom of the social structure. A number of Japanese firms from this period still exist and are household names worldwide: Sumitomo, Mitsuzakaya, Kikkoman, Mitsui, and Mitsukoshi—to name just a few.

19TH CENTURY

Trade and Agriculture. In the early 19th century, more than 80% of all Japanese were still involved in some form of agricultural pursuit as a profession. Most were peasants or silk producers (seri-culture) or in some job that supported the peasantry. Because of this, a very large segment of the population was dependent on the vicissitudes of naturally occurring cycles in agriculture. For most of the late Edo period (with a couple major exceptions), these were predictable. After a typhoon or regionalized flood, hardship and hunger was to be expected. When the rains didn't fall as normal or pests afflicted the crops, people went hungry and the economy suffered. In most instances, the authorities were able to alleviate the worst elements of these by providing some aid and transporting food and other items on well-maintained roads to the affected areas. However, there were exceptions. In the Tempō famine (1833-1837), millions of people were affected and hardship appeared to grip most of the country. Thousands died and the government appeared to be unable to respond because of the scale of the disaster. This was followed by several major earthquakes in the 1840s and 1850s which killed thousands. Still, the mature and high-functioning Japanese commercial economy endured until the political instability of the 1840s and 1850s led to its decline and the merchants and city-dwellers began to feel the pinch. After the Meiji Restoration in 1868, Japanese agriculture and commerce slowly began to thrive again—this time using new forms of technology and industrialization.

EARLY 20th CENTURY (1900-1949)

Trade. In industry, however, the potential for growth was unlimited but largely dependent on the demand for exports and a ready supply of raw materials. Economic and industrial growth continued in fits and starts until 1930.

Before 1930, Japanese industrial growth was spurred on by the Russo-Japanese War and WWI, periods in which the government prioritized the production of armaments, heavy industry and transportation. These increases were punctuated by dramatic downturns as factories retooled and refitted for consumer markets after the wars ended. Nonetheless, some periods saw tremendous growth. Japanese manufacturers became major exporters of finished silk and other textiles, pharmaceuticals, cement, paper, glass and the like.

Like all other nations, Japan suffered from the effects of the Great Depression. The eminent historian of Japan, Kenneth Pyle, argues that nationwide wealth was reduced by one-third from 1925-1931. He also asserts that exports fell fifty percent between 1929 and 1931. This was felt immediately by factory workers and soon thereafter by all other sectors of the economy. This created an environment in which various states of emergency could be implemented and others extended by the government. It should be noted that the Japanese government intervened extensively in the economy and helped spur recovery from the Depression sooner than most other nations. This just also happened to coincide with Japan's final annexation of Manchuria, which reinforced the false narrative that aggressive military action could spur economic growth.

LATE 20th CENTURY (1950-1999)

Trade and Economic Growth The Japanese government decided that its highest priority in the 1950s, 60s and 70s would be economic growth. In order to facilitate this, the government assigned the Ministry of International Trade and Industry (MITI) the task of determining economic policy. For Japan, this would mean that exports became the priority and that all industries would support this goal. The Japanese government underwrote financing for key industries by guaranteeing loans at extremely low rates, but there were strings attached. Companies selected were expected to invest for the long term and were to prioritize stable employment above profits and the payment of quarterly dividends. This was, however, problematic for entrepreneurship and for companies that wanted to expand or change what they produced. If a company wanted low-interest government-backed loans, CEOs had to ask permission of MITI officials, which was not always forthcoming. The most famous example is the Honda Corporation, maker of some of Japan's finest motorcycles. In the early 1960s, Honda's founder and CEO Soichiro Honda wanted to expand into automobiles, but was denied government backing. Undeterred, he went abroad for financing and started building some of the world's finest cars.

Japanese economic policies were successful beyond all expectations. The growth rate per year between 1955 and 1960 was 9.1%, between 1960 and 1965 was 9.8% and 1965 and 1973 was 10%. These are extremely high numbers and were three times higher than the US growth rate during the same period. By the late 1980s, Japan had become the world's second largest economy. However, in the drive to grow the economy, social and cultural issues received little attention from Japan's governing elite. Some of these would become problematic in contemporary Japan.

By 1990, the Japanese economy had reached a plateau. Though individual companies grew, sustained economic growth nationwide had stopped. There has been very, very little economic growth since the late 1980s. Japanese economists, government officials and business leaders have struggled to find ways to prime the economy, but have largely failed. Japan is now dealing with deflationary tendencies in the economy and a decreased population—both of which mean that the growth of the postwar period will likely not be seen again.

Readings

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