

Japanese Civilization (Part 14)

– Japan and the Transfer of Economic Hegemony –

By Kawakatsu Heita

THE role of economics is to analyze the present. Value-neutrality is indispensable to economics, just as it is to any other branch of academia. But as members of civil society, economists are also called upon to analyze the present in order to improve it. That underlying motive is necessary in order to achieve a deeper understanding of issues that have a bearing on the present. The present is situated smack-dab in the middle of the “past-present-future” timeline. The present is historical reality – nothing more, nothing less – therefore, analyses of the current situation done by economists with a weak grasp of history tend to lack the “firepower” needed to achieve penetrating insight into the future. With this point in mind, taking “historical enquiry” as my point of departure, I seek to examine where the modern economic civilization that has arisen in Japan fits in the larger global context. I shall set forth below one of my conclusions in this regard.

The modern civilization of Europe has been called “the Modern World System” by economic historians. The modern world system was created by the bourgeoisie, who themselves are the product of the bourgeois revolution, and was consolidated, through the Industrial Revolution, by success in developing substitutes for goods imported from the ancient civilizations of Asia. I see the modern world system as one whereby the lands of the pan-Atlantic region developed the ability to provide Asian goods for themselves. At the same time, Japan was undergoing its own “samurai revolution,” which brought about the rise of a class of “managers” – an incipient phenomenon, to be sure – whose calling was to “rule the nation and see after the people’s needs” (*kei-sei sai-min*). This nascent class, acting on *bushido* ethics, guided an “industrious revolution,” successfully transplanting to Japanese soil the production of all the goods imported from the ancient civi-

lizations of Asia. The blanket term for this phenomenon is “National Seclusion.” The modern world system is an open system, while national seclusion is a closed one; thus, the two systems stand as completely opposite means of handling the supply and demand for goods, but they are nevertheless alike in that both seek economic independence from the ancient civilizations of Asia. From the perspective of civilization, both of these systems have played the same role.

If one were to say that the modern world system and national seclusion arose at the same time yet were not connected at all, one would be mistaken. The purpose of this article is to establish precisely this point. It is said that the modern world system is divided into three levels (center, semi-periphery and periphery), arose in “the long 16th century,” and has continued to the present day. In this sense, it is synonymous with the capitalist economic system. The position of economic hegemony has changed hands among center nations approximately once every century: Spain in the 16th century, the Netherlands in the 17th, France in the 18th, Britain in the 19th and America in the 20th. This turnover of hegemony has not been unrelated to the course of development in Japan since the 16th century.

Before addressing this point in greater detail, I would first like to clarify one thing: from the perspective of cultural history, which constitutes the basic approach of this entire series, just as Japan has been inextricably linked to Sinic Asia, Europe and Islamic Asia have also been inextricably linked. In particular, the relationship between Europe and Islamic Asia is clearly reflected in the West’s period of historic transition. In fact, it would be more precise to say that the point of momentous change in the power relationship between these two worlds actually IS the period of historic transition in Western society.

Outstanding historians have clearly recognized this fact.

For example, the basic argument put forward in the famous work *Mohammed and Charlemagne* by Henri Pirenne of Belgium, the leading economic historian of the first half of the 20th century, is that the European identity was born out of a sense of crisis spawned by the capture of the Mediterranean Sea by adherents of the Islamic religion founded by Mohammed. And the French scholar Fernand Braudel, the foremost economic historian of the second half of the 20th century, concluded in *The Mediterranean and the Mediterranean World in the Age of Philip II* that victory in the Battle of Lepanto (1571) signified the achievement of European dominance over Islam, which came to live in the shadow of a cohesive, resurgent Christendom. The first hegemon was Spain – the country “upon which the sun never set” – under the rule of Philip II (1527-1598).

The establishment of Western hegemony was, more than anything, the establishment of dominance over Islam. The American president’s opposition “in the name of (the Christian) God” against “Islamic fundamentalism” has deep historical roots.

In the meantime, at the eastern extreme of the Eurasian landmass, Philip II’s contemporary Toyotomi Hideyoshi (1537-1598) attempted to conquer the Korean peninsula with an eye to the ultimate conquest of Ming China. This was the war of 1592-98 between Japan and the Ming dynasty. The venture was thwarted when Hideyoshi died of illness, but a parallel can be found between East and West; the European hegemon and Japan both took steps during the same period to assert themselves against a neighboring ancient Asian civilization (Islamic Asia and Sinic Asia, respectively). The rise of an economic hegemon was thus not a phenomenon limited to the West.

Photo: Tokyo National University of Fine Arts and Music

17th-Century Netherlands and Japan

If the 16th century was the Spanish century, then the 17th was the Dutch century. A trip to the Rijksmuseum (Dutch National Museum) in Amsterdam is instructive in this regard. Most of the treasures on display there date to the 17th century, reflective of the fact that this was when Dutch power was at its peak. The Netherlands declared independence from Spain in 1581. The destruction of Spain's Invincible Armada in 1588 by the British fleet gave a big boost to the Dutch in their war of independence, and they achieved de facto independence in 1609, long before the independence was formally recognized by a number of nations in 1648 under the Treaty of Westphalia. The year 1609 also marked the founding of the Bank of Amsterdam, which served as Europe's trade settlement center until the 18th century.

What was the foundation of Dutch prosperity? It was trade with Asia. To be more precise, it was trade with "maritime Asia," centered in Southeast Asia. To be even more specific, it was a "South China Sea trading world" that encompassed Southeast Asia, China and Japan. Japan was the lynchpin of the bloc, as it was far and away the leading supplier of the gold, silver and copper used for trade settlements in maritime Asia. Japan was then among the world's leading producers of gold, silver and copper.

Many different European nations joined the South China Sea trading world. Portugal and Spain arrived first, followed by Britain and the Netherlands, which established the British East India Company and Dutch East India Company in 1600 and 1602, respectively. The Dutch were based in Batavia (present-day Jakarta). After the Amboina Massacre of 1623, the British lost out in their competition with the



Dutch people at a drinking party on Dejima Island

Dutch and withdrew from the South China Sea trading world. The Dutch acquired deerskins, medicines, perfumes and other such goods in Southeast Asia, and invited the Chinese to Batavia to buy silk, silk fabrics and other goods from China. These they shipped to Japan at enormous profit.

It is interesting to compare the power of the Netherlands and Japan at that time. The Dutch people on Dejima Island (now in Nagasaki Prefecture) wore nothing on their persons that would identify them as Christians. And every year they were required to visit Edo (now Tokyo), which they obediently did. In the reader's opinion, which party enjoyed the stronger position?

Modern-day Japanese people tend to have the distorted view that Japan was somehow isolated from the rest of the world during the period of national seclusion. In this we are influenced especially by the book *Sakoku* (National Seclusion), in which Watsuji Tetsuro champions the idea that "as a result of national seclusion, Japan was left behind by the West." In reality, however, the Japanese economy was linked to the world economy through the Dutch monopoly on trade with Japan. I would go so far as to say that it was Japan's policy of national seclusion that kept the Dutch prosperous.

18th-Century France and Japan

If I were to say that the 18th century was the French century, perhaps some would argue the point, since Britain was every bit as powerful. Daniel Defoe, famed as the author of *Robinson Crusoe* (1719), already in the early 18th century foreshadowed the coming Industrial Revolution with his exhortations to entrepreneurship and hard work. But Adam Smith, noted as the author of *The Wealth of Nations* (1776), studied in France, and the scions of British nobility were in the habit of taking what was known as the "grand tour" of Italy and France. One does not hear of people making similar trips in the opposition direction. This would seem to indicate that France was just that much ahead of Britain at that time.

The 18th century saw the end of mercantilism. It was in the late 17th century that Jean-Baptiste Colbert, the able finance minister of the Bourbon monarchy, worked to expand French colonies and established great sugar cane and coffee plantations in the New World. His most famous quote is: "It is simply, and solely, the abundance of money within a state which makes the difference in its grandeur and power." An Atlantic Ocean trading bloc emerged in the 18th century.

Photo: AP/WWP



The Plaza Accord of 1985 amounted to a ceremony acknowledging Japan's status as the equal of the United States

Mercantilism, however, was flawed, for wealth is generated through the distribution of treasures. This insight led to the realization that in order to increase a nation's wealth, what is called for is not direct acquisition of gold and silver, nor is it the acquisition of gold and silver through trade surpluses; rather, increased national wealth is to be gotten from domestic economic output, which is fundamentally grounded in the agricultural sector. A new school of economic thinkers, the physiocrats, appeared in the latter half of the 18th century, represented most prominently by such writers as François Quesnay, who published *Tableau Économique* in 1758, and Jacques Turgot. Interestingly, both of these men were great admirers of China. The homes of the upper class back then were often decorated with objects from China, for *chinoiserie* was very much in fashion during the Enlightenment among Encyclopedist scholars.

But the China so admired by the French was itself quite chauvinistic. The Chinese considered themselves to be the only civilization on earth, and all others to be barbarians. This Chinese view of "civilization" made its way into France. In the 18th century, for the first time in Europe, the idea that "our country represents civilization" began to take root in France.

China at that time prohibited maritime activity – i.e. pursued a policy of national seclusion; its national wealth was based on agriculture. Fully 150

years before the physiocrats appeared in France, the Chinese were already acting on their ideas, as evidenced by the publication of Xu Guangqi's *Nong Zheng Quan Shu* (Complete Treatise on Agricultural Administration). In Japan, Miyazaki Yasusada's *Nogyo Zensho* (Agricultural Encyclopedia), published in the late 17th century, surpassed Xu's work from both the theoretical and practical standpoints. Implementing Miyazaki's ideas, Japan by the mid-Edo period (1603-1867) was outperforming China in the agricultural sector. When Western-style economics was introduced to Japan in the Meiji period (1868-1912) and later, the theories of the French physiocrats were ignored. That was perfectly natural, for Japanese agriculture already boasted the highest land productivity in the world by the 18th century.

■ 19th-Century Britain and Japan

The period between the Napoleonic Wars and World War I is known as "the long 19th century." This was the British century. Britain alone controlled the seven seas, a quarter of the world's population and a quarter of the world's landmass. It was the time of the British empire. Europe as a whole in 1800 controlled 35% of the world's landmass, but by 1914 the figure had risen to 84%. Competition for colonies entered into high gear, particularly after Germany started building an empire in 1871.

The period from 1870 to World War I was the era of classical imperialism.

The Industrial Revolution was the economic basis for the expansion of Europe's sphere of control. The Industrial Revolution began in Britain around the year 1800. To be sure, forceful arguments have been put forward downplaying the Industrial Revolution, pointing to a low rate of domestic economic growth in Britain. Nevertheless, following the Industrial Revolution, countries closely associated with Britain could be found across the entire globe; a small number of these countries were working furiously to catch up with Britain, while the great majority simply provided markets and supplied raw materials for British manufactured goods. The so-called "north-south" gap in wealth was born, and Britain suddenly vaulted into the position of world leader. Britain's Industrial Revolution ranks alongside the agricultural revolution of antiquity as one of the most profound transitions in the history of mankind.

Even at the zenith of British prosperity, however, someone was studying the inevitability of its decline. That person was Karl Marx. He published the first volume of *Das Kapital* in 1867. As he worked feverishly away at volume two, a group from the Orient visited that very same Britain – for only a short time, to be sure – to study the sources of its wealth and military might. This was the Iwakura Mission. Together with *Das Kapital*, the chapter on Britain in the chronicles of the Iwakura Mission (*The Iwakura Embassy 1871-1873: A True Account of the Ambassador Extraordinary and Plenipotentiary's Journal of Observation Through the United States of America and Europe*) can be seen as the high-water mark of British ascendancy. The members of the Iwakura Mission were astounded by the level of prosperity they found in Britain. They at first had the mistaken idea that things had always been that way, but soon found out otherwise, learning, for example, that the world's first railroad, which ran between Liverpool and Manchester, was

not built until 1830, and that serious development of the railway system did not get underway until some years thereafter. They also learned that the British factories they saw had a similar history, and concluded that Japan was “only 40 years behind Britain.”

The biggest market for Britain during the age of classical imperialism was Asia. Japan was forced at this time to open its ports. Some 40 years later, in 1902, Japan and Britain entered into the Anglo-Japanese Alliance. Japan came to be called “the Britain of the Far East.” The alliance was renewed in 1905 and 1911, expanding the territory of its coverage to include the region from the Far East to South Asia, and developed into an equal military alliance. But as Britain ferociously battled away against its European enemies in World War I, Japan was busy entering Asian markets and undermining the economic foundation of the British empire.

20th-Century America and Japan

By the end of the 20th century, the United States had established itself as a superpower. America emerged victorious and virtually unscathed from World War I and World War II, as none of the battles had taken place on the U.S. mainland. After the Cold War ended with the implosion of the Soviet Union and Eastern Europe, a U.S.-led wave of globalism ensued, and America solidified its position as the world’s lone superpower. Some (Michael Hardt and Antonio Negri) have called this America an “empire,” while there are those (Emmanuel Todd) who write of “after the empire,” arguing that America has peaked. If there can be a successor to America, Japan, as the next largest economy, would be a strong candidate.

Let us take a brief overview of the progression to this point. There is a parallel nature to Japanese and U.S. history, with each side mirroring the other’s moves.

Strictly speaking, U.S. history began with Christopher Columbus, but in point of fact it actually began when the

Pilgrim Fathers boarded the Mayflower in the early 17th century, landed at Plymouth, and set up their base in New England. They then pioneered the American West. During that same time frame, Japan was establishing its base in Edo and moving into the Kanto region, i.e. eastward.

In the late 18th century and continuing into the 19th, as the United States was achieving its independence from Old World England and adopting an isolationist stance under the Monroe Doctrine, Japan was shrugging off the influence of the ancient Asian civilization centered on China and adopting the policy of national seclusion. Indeed, the coinage of the Japanese term “*sakoku*” (national seclusion) dates to this time.

Soon after Japan’s doors were opened to the outside world, the United States plunged into civil war between North and South, while armed conflict broke out in Japan between East and West (Tokugawa in the East versus provincial lords in the West). Both sides then went through periods of internal chaos, re-established internal cohesion and set about with determination about the task of catching up with Britain.

As the 19th century drew to a close, the United States defeated Spain in the Spanish-American War and occupied Spain’s Pacific colonies of Guam and the Philippines, while Japan defeated China in the War of 1894-95 and occupied Taiwan. Both countries thus emerged as up-and-coming imperialists in the Pacific region.

Moving into the early 20th century, Britain placed its faith in Japan and entered into the Anglo-Japanese Alliance. At the same time, Britain faced serious economic conflict with the United States, which had slapped protective tariffs on British manufactured goods. The United States now found adversaries glaring at it from across the Atlantic and Pacific. After World War I, Germany’s former colonial possessions passed to Japan.

Until World War II, Japan was a more significant presence in the Pacific

region than the United States. When Japan and the United States went to battle in World War II, it was the United States that coined the name “Pacific War.” The conflict between Japan and the United States put an end to the junior position of the United States in the Pacific region.

Following defeat in war, Japan went on to achieve a miraculous economic recovery and caught rapidly up with the United States by taking over the industries that had been mainstays of the U.S. economy – fibers, shipbuilding, automobiles, iron and steel, and household appliances. The Plaza Accord of 1985, in which the two sides agreed on a strong yen, amounted to a ceremony acknowledging Japan’s status as the equal of the United States. That was something to celebrate. And the bubble economy can be regarded as that celebration. The hangover has dragged on for a long time, but I dare say that Japan will awake before too long. **JS**

Kawakatsu Heita is a professor of economic history at the International Research Center for Japanese Studies in Kyoto. His books and articles have been published in both English and Japanese. He also serves as an advisor for various governmental bodies such as the Ministry of Land, Infrastructure and Transport.

Apology

The map on page 51 of the last issue incorrectly indicated the position of the “Nasu-Abukuma” region. The correct position is shown in the map below. We apologize for any inconvenience that may have been caused by this error.

