Merchant Capital in Tokugawa Japan

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Abstract

This article attempts to answer why industrial capital had not developed in Japan to the point of providing the basis for the rise of capitalism like it happened in Europe. The key finding is the role of merchant capital in the Tokugawa period. The important condition in this historic development is the system of production for the markets must replace the production for use. However, merchant capital is only circulating capital in which it has as yet by no means become the foundation of production. Moreover, the political roles of the merchant class are still much less significant than their economic roles. The merchant class as a whole does not cause the total transformation of the Tokugawa society. The rural merchants were still bound within a feudal authority structure which limited their activities to a certain extent. Thus, merchant capital, in its highest stage of the Tokugawa period, could not become industrial capital. The most it could perform was to provide a head-start and ground for the eventual emergence of a fully developed capitalist system.

Historically, merchants played a key role in providing goods and connections to specific buyers and sellers who remained discrete individuals with discrete interests and needs. But these individuals also represented social classes and strata with collective needs and interests. In consequence the merchants by giving their services to the commerce of the society had linked not only communities and city-states but also social systems to one another. In this respect, the merchant class could play a dual role of supportive and subversive sides to the ruling system which gave rise to their formation and growth.

The role of the merchant class received some attention and debates during the early 1950s, starting with the publication of Maurice Dobb’s Studies in the Development of Capitalism (1946), from which a series of reviews and debates by Karl Polanyi (1948), R.H. Tawney (1950), Paul Sweezy (1950), and Eric Hobsbawm (1962) ensued. The main debate was focused on the transition from feudalism to capitalism based historically on European history which was able to transform itself from a society based essentially on feudal relations into a modern mode of
capitalist relations. The decisive change came with the rise and domination of
the bourgeoisie or capitalist class over the declining feudal landlord class. Here
it looks like the merchant class in Western Europe had successfully transformed
itself into the modern capitalist class. This thesis, however, has generated much
debates and discussions over the nature and development of the merchant class
and its role in economic and political transformation of the pre-capitalist soci-
ety. Elsewhere, especially in the non-Western societies, such a historic role in
the transformation of a social system by the merchant class never happened.
Consequently the transition from pre-capitalist systems to capitalism also never
occurred in any non-Western societies.

In order to better understand the rise and growth of the non-Western soci-
eties from pre-capitalist social system into a modern system with certain capitalist
elements, it is useful to utilize the concept of merchant capital and its role in the
development of capitalism. Theoretically, merchant capital is the preliminary stage
of capitalism. Its existence and development are made possible by the growth of
agricultural productivity, improvement in the transportation system, increasing in
population and their material lives, and finally the expansion of trade. But these
socio-economic changes do not necessarily lead to the growth and development
of merchant capital that eventually bring about the rise of modern capitalism. The
important condition in this historic development, however, is that the system of
production for the markets must replace the production for use. This means the
farmers produce whatever the markets want regardless of what they themselves
happen to need. Money appears and is exchanged for money. Therefore, the
formal aspect of commerce, of capital as merchant capital, is made up of this
movement of buying in order to sell. Money capital and money interest, usury,
are another form of capital in its earlier stage. Merchant capital, however, is only
circulating capital in which “it has as yet by no means become the foundation
of production” (Marx 1973: 253).

Here merchant capital was conceived as a social relation pertaining to the
activities of the circulation of commodities in a given society or epoch. It is the
one who converts commodities into money by sale and of money into commodi-
ties by purchase. The sole function of the merchant thus is these acts of buying
and selling commodities. It therefore merely promotes the exchange of commodi-
ties and does not involve in the production of commodities. Yet, this exchange
is not to be perceived to be the bare exchange between the direct producers, i.e.,
slaves, peasants or yeoman farmers. Under slave society and feudalism, it is the
slave-owner and the feudal lord who are the owner of commodities and hence
the sellers of the products. Whatever the social organization of the sphere of
production whose commodity exchange the merchant promotes, his wealth exists
always in the form of money, and his money always serves as capital. It is inter-
esting to note that in a society where the production system was less developed, the more wealth in money is concentrated in the hands of merchants or appears in the specific form of merchants’ wealth.

The main question that this paper intends to address is the political and economic roles of merchant capital in a non-Western society. The thesis is that merchant capital plays both progressive and conservative roles in any given society or social organization of production. It may act as a powerful solvent of pre-capitalist social relationships like feudal social relations and as an agent of primitive accumulation of capital. This was the processes of exploitation and appropriation of wealth and profits in the colonies by the Western European powers in the fifteenth to the seventeenth centuries, using all means of material and spiritual forces. Essentially, the so-called “primitive accumulation,” therefore, “is nothing else than the historical process of divorcing the producer from the means of production. It appears as ‘primitive’ because it forms the pre-history of capital, and of the mode of production corresponding to capital” (Marx 1977: 875). But this revolutionary role in the rise of capitalism is very limited. It occurred only under definite conditions of Western European political and economic developments where money wealth increasingly transformed into a new commodity, capital, that bought means of production, and eventually turned labor-power into a commodity. In balance, merchant capital plays a conservative role. It fed off existing mode of production, however backward like slave regime and other pre-capitalist social relations. The merchant class adjusted their interests to those of the powerful ruling class and resisted all attempts to introduce revolutionary transformation into the economy, politics, and class relations. It can be said that the merchants generally lived as parasites in the old order (Genovese and Genovese 1983: 5).

Japan is the only country in Asia which has successfully transformed itself from feudal society to modern capitalist country. Although the historic success was attributed largely to the political change arising after the penetration of Western knowledge and contacts, particularly after the mid-nineteenth century that led to the historic Meiji Restoration in 1868, the role of the merchant or commercial class in the transition period, compare to other Asian countries, is significant. Merchant capital played distinct roles, both passive and active, in the economic development of the Tokugawa period.

From the above discussion, the main characteristic of merchant capital which weakens its position is imminent in the case of merchant capital in the Tokugawa period. Its development thus reflects distinct characteristics which emerge from its existence in particular social, economic, and political conditions in Japanese social and political developments.
The first century of Tokugawa rule was a period of political and military unification and economic reconstruction. The pace of economic growth was limited and conditioned largely by the centralized feudal system aimed at keeping society static and peaceful (Hirschmeier and Yui 1981: 11). The central supreme military commander was the Shogun who administered the bakufu or government bureaucracy. Under the bakufu were the daimyo or feudal lords who were permitted self-administration of their han (domains). The bakuhansystem, designed to maintain peace among the various military domains, combined the predominant centralized authority of the Tokugawa bakufu and the local authority of the daimyo han. Generally, the han acknowledged their obligations of vassalage and subservience to the bakufu's basic laws and left to the bakufu matters of national importance, such as foreign trade, while they retained a generous amount of independence in their local administrations. In terms of social classes, the population was strictly divided into four classes: samurai or retainers of the daimyo, peasants, artisans, and merchants, in the order of ranking.

The low status of merchants reflected the administrative policy of the bakufu and the han which paid marginal importance to commerce. On the other hand, agriculture was given the first priority of import. Agricultural production kept up in the first half of the Tokugawa period, providing rising consumption to the feudal class and also encouraging the growth of merchant class. In villages, many wealthy landlords entered the field of commerce where they could earn more cash. Following the emergence of rich merchants and rich peasants, money in the form of capital began to be invested in manufacturing such as spinning, weaving, pottery and sake, and miso production.

Another factor that shaped the regime's economy was the removal of the warrior class from the villages into the castle-towns. This urbanization process, which continued for several decades in the early Tokugawa period, drew a new line of distinction between the cultivators, those remaining on the land, and the feudal aristocracy, those members of the daimyo's retainers gathered at his castle headquarters. Economic concentration inevitably accompanied the existence and growth of the castle-towns. The daimyo and their vassals, having taken up permanent residence in the new towns, became dependent upon the services of the merchants (Hauser 1974, Jansen 1968), artisans and servicemen, which were the only classes that were allowed to practice this theoretically unproductive and lowest occupation according to the Confucian physiocratic philosophy of the times. This attitude of distain towards the merchants was eventually rationalized and institutionalized in the relationship between the lords and the merchants. According to Tokugawa law, the merchants were placed at the bottom of the social
hierarchy and denied legal protection for their property (Hall 1951: 27).

Yet the orthodox Confucianism of the bakufu created many economic problems and difficulties for the daimyo and their retainers and people. First was the forbidden policy for samurai to till the land. The use of manual labor in agriculture was regarded as a low status practice unsuitable to the samurai class, which was “being emulated by the other classes so that Confucian value system came to permeate the whole of Tokugawa society, shaping it into a homogeneous people with rigidly defined behavior patterns” (Hirschmeier and Yui 1975: 13). By separating them from their land, the samurai became rentiers, totally dependent upon their daimyo for income in order to sustain their lives. This put a lot of pressure upon the daimyo whose income also limited by the sources of production and commercial practices. Moreover, the daimyo could be removed by the Shogun to any other areas at the wish of the bakufu. Accordingly, the most trusted and weaker daimyo would be located near the capital Edo while the strongest and powerful daimyo were put on the far side of the realm, such as Kaga, Satsuma and Choshu. In the long run, the hard-pressed daimyo with sufficient knowledge and internal independence were the one who made the switch towards trading policies. In the end, it was the daimyo that played a significant role in forcing the political change and transformation of pre-modern Japan.

A number of means to strengthen the centralized Tokugawa rule and prevent any usurpation of power by the hostile daimyo were introduced, and the most conspicuous of them were the Sankin-kotai system (alternate attendance system) and the concentration of the daimyo and their warriors within the castle towns. The sankin-kotai required that all daimyo and their retainers alternate between the shogunal capital of Edo and the castle towns of their domains of a fixed schedule, and their wives and children be resident in the capital city. This could be interpreted as making them hostages of the shogun, as most writers do. However, little evidence was shown of the daimyo's resentment and complaints against the system, except for its expensive costs (Tsukahira 1966), suggesting their acceptance of this practice which, according to Confucianism, was a proper manner for a lesser to pay respect to his superior every year. This concept should be applicable, especially, to those daimyo who had grown up in the capital as “the shogun’s children.”

This policy had many impacts, besides political control, on the economic system of the regime. By requiring the daimyo to spend a significant amount of their revenues outside their domains, the system encouraged the exchange of goods, particularly daimyo tax rice, for cash which was a more convenient form of capital. The commercialization of tax rice was an important factor in the rise of the merchants since the sixteenth century.
In order to stimulate the country’s economy, the bakufu announced a free trade policy and prohibited the formation of merchant guilds. Tokugawa Ieyasu, immediately after having established his hegemony, proceeded to unify the monetary system by securing the right of coinage exclusively in his own hands. Standardization of weights and measures, though less extensive, came rapidly into effect even in districts not under the jurisdiction of the bakufu. All these policies developed the circulation of goods throughout the country (Takenaka 1969: 142).

By the middle of the first century of Tokugawa rule, commerce and handicraft had flourished in the shogun and daimyo’s castle-towns. The region which was the most advanced in the course of economic growth in the Tokugawa period was the Kinai. It includes the five provinces (kuni); Settsu, Kawachi, Izumi, Yamato, and Yamashiro. The region developed commercial agriculture from an early date because it included the cities of Kyoto and Osaka. Many cities like Kyoto, Nara, and Sakai had seen centuries of commercial and agricultural development (Hanley and Yamamura 1977: 91).

As a result of the sankin–kotai, the steadily increase agricultural production and rising demand in processed goods of townspeople, the three cities of the shogun, Edo, Kyoto and Osaka, became centers of trade and handicraft. Osaka prospered as a major rice market in Western Japan for daimyo from Western Honshu, Kyushu and Shikoku. After the westward shipping route (nishimawari) was established in 1672 to facilitate trade with the northern provinces, Osaka increased its importance as a major rice market and other commodities from the sea coast as well. It is estimated that during the first quarter of the seventeenth century one million koku \(^1\) of rice was shipped to the Kinai region annually. Total national rice production at the end of the sixteenth century is estimated to have been around eighteen and one half million koku (Hauser 1974: 15). Hanley and Yamamura, however, denied this figure because, “It is based on untested assumptions and subjective estimates.” Their figure for grain output in 1645 is 24,553,757 koku (Hanley and Yamamura 1977: 69–71). If we estimate that 40 per cent of the total rice output was tax rice for the lords and samurai who retained 15 per cent for their consumption and sold 25 per cent to the merchants, the total of marketed rice amounted to two million koku at that time. Therefore half of the national marketed rice was exchanged in the Kinai alone. This illustrated its economic importance throughout the first century.

By 1626 there were 111 daimyo rice warehouses in Osaka to facilitate the sale of tax rice. Three days after the rice was delivered to the warehouse, six

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\(^1\) 1 koku equals 4.96 bushels, 180 litres or 44.8 gallons.
principal officers of the domain came to examine its volume and call for bids. The rice brokers came to inspect the samples of rice and the successful bidder made a deposit in silver instantly and paid the full price in silver at some later date in exchange for vouchers of title to rice in the storehouse (Sumiya and Taira 1979: 62).

The transaction was similar in all domains selling their tax rice in Osaka. The kakeya kept the sales proceeds and profited from financial operations on the basis of these deposits. Exception was made in Kaga domain, where the silver received for the rice sale was forwarded to the samurai-managers of the Kaga warehouses. The tax rice business should have provided a promised opportunity for the merchants for it created over 1,300 rice brokers in Osaka by the Tenwa era, 1681-83 (Yosoburo 1930: 247).

The rice merchants made large profits by speculation in rice. After the sale had been made, the merchants made false reports to the officials but did not make actual delivery in rice. They only delivered the bill and received a deposit corresponding to one-third of the price of the rice thus sold, while keeping the rice in the granary. The bills of rice then were sold from person to person and only a few merchants actually took delivery of the rice from the storehouse.

As time went by, the rice business in Osaka became more complicated and specialized. Selling bills of rice was replaced by the sale of “booked rice” (choai-mai toribiki). Purchase of “booked rice” was settled by entering in a book the sale and countersale, to be made with in a stipulated period. The entry indicated the difference between the sales price and purchase price of the rice. The clearance of transactions in “booked rice” was carried out three times a year with all accounts settled at the end of every four months. This was done through money brokers who specialized in dealing with rice securities (Takenaka 1969: 141).

In general, rice had great demand in the three cities, therefore the rice market was rather competitive and the merchants tried to manipulate to get their best prices and profits. Such practices, the traditional and Marxist historians of Tokugawa economic history believe, had great impact particularly in bad harvest years on the rise in market price, which in turn caused hardships for the samurai, townspeople, and peasants alike. For example, Takekoshi says that in 1663 the Osaka price of rice was raised from 43 to 45 momme2 of silver per koku and town people were aghast. The increase of two momme was questionable. It was too small to cause such distress. Market price of rice usually varied between 2-5 momme, i.e., in 1675 it varied from 65 in the spring to 62 momme in the winter (Yamamura 1974: 49). Having inquired into the merchants’ practice, the shogun

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2 Unit of weight equal to 3.75 g or 0.1325 oz; also used as a unit of silver by weight.
regulated that “the term of time bargains was limited to ten days, and a strict
record of buyers and sellers, dates and prices was ordered to be kept.” Takekoshi
then concludes that, “This limit of ten days had more or less effect, but the in-
terference of ignorant government officials could not check the activities of the
keen-witted Osaka merchants” (Takekoshi 1930: 248).

The rich merchants and brokers were granted official privileges to handle
the sales of the domains, commodities, besides rice. Usually they also had a
number of shops, branch shops in other cities, industries and, as a rule, a pawn
shop, and banking business. Among them the well-known families were the Mit-
sui, Sumitomo, Konoike, Shimomura and Yodoya. The penetration of the money
economy and the circulation of different currencies in the market, coupled with
the rising expenditures of the _bakufu_ and _han_, stimulated the rapid growth of the
banking business, especially money-lending to the feudal lords. Kumazawa Banzan
(1699-91) writes, “It is rare for a samurai these days, whether ordinary samurai or
feudal lord, not to have borrowed large sums of money.” He estimated that the
total amount of the daimyo’s debts was a hundred times the amount of cash in
the country. There is no doubt considerable exaggeration here, but it gives some
idea of the immensity of the debt (Sheldon 1958: 76).

It is interesting to note that money lending plays quite a significant part
along side with the money capital in the development of merchant capital in
the Tokugawa period. The accumulation of merchant capital piled up through
money-interest and money capital which realized from the exchange of com-
modities for money. The profits from the money lending, many believe, were
considerable. For example, in the case of Mitsui Takatoshi between 1669 and
1677 his loans to daimyo amounted to more than 10,000 _ryo_" of gold and 50
_kan_" of silver (Yasunao 1959). But the _bakufu_ and _han_, with steadily deteriorating
financial situations, and unable to pay back the debts, often defaulted on loans.
Mitsui Takafusa warned that the business of lending to daimyo was like gambling
and unreasonable because the daimyo could default and the merchant could do
nothing. He says, “The bamboo spears of merchants are pitted against the true
swords of samurai, and you are no match for your adversary… Any merchant
who tries to trick samurai does not know his enemy.” In his accounts of the fifty
once wealthy merchants of Kyoto, Osaka and Edo, from 1645-1720, the collapse
of more than half of them is attributed in whole or in part to lending to daimyo
(Crawcour 1961: 43).

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3 _ryo_: unit of gold currency; one _ryo_ gold was equal to approximately 60 momme silver for most of the
Tokugawa period.
4 _kan_: Unit of weight equal to 1000 momme, 3.75 kg, or 8.72 lb; also used as a unit of silver by weight.
But the fact is that, despite high risks, the wealthy merchants continued to lend in ever increasing amounts. Even the Mitsui house, despite the warning from their founders, never relinquished the money-lending business. It must be presumed then that the interest rate was sufficiently high to compensate for the losses that might occur. Around 1700, interest on first-class loans was more or less guaranteed by the government and seems to have been about 12 per cent per annum. At the same time, interest on ordinary private loans was limited officially to 20 per cent. Around 15 per cent seems to have been the legal maximum rate during most of the Tokugawa period, which is not high (Crawcour 1961: 20; Sheldon 1971: 197). The lenders could make additional charges but adding fees to the daimyo was not an easy task. As the wise merchant advisor Mitsui Takafusa noted: “Ask for too much and you ask for nothing” (Crawcour 1961: 82). Furthermore, it seems to have been less likely that the daimyo would conform to their contracts. Therefore, Crawcour concludes that the monetary returns do not seem to have been sufficient to compensate for the risks. But other more profitable investments were less obvious, too. Also, the merchants found means to protect their interests. One was the formation of a syndicate loan by many money-lenders. The refusal of loans and suspension of business with the daimyo were also frequently practiced, especially after the middle of the eighteenth century, when loans to the daimyo increased and the price of rice in Osaka fell. In the nineteenth century, the daimyo, unable to pay back their loans, gave the merchants rations (fuchi) and frequent grants, especially gift rice (hobi-mai). Certain daimyo associated the money changers for the sale of their local products other than rice and tried to raise money on the security of these sales (Mori 1967: 19-28). Moreover, according to Sheldon, although the bulk of money lending was to the samurai class, loans to small merchants and other commoners also comprised a big business.

IV

A distinct characteristic of merchant capital in the early Tokugawa period was its limitations on investments in productive enterprise. The bakuhan policy against the spread of commerce into the villages for fear of harming agricultural production kept merchant capital in the castle towns where it could deal mainly with the distribution process alone. The expansion of trade was further retarded by the shogun’s seclusion policy which limited foreign trade and markets to a minimum impact upon domestic economic development. Undoubtedly, when the rural economy began to grow rapidly in the eighteenth century and trade and manufacturing in the rural areas seemed to be a promising opportunity, it was too late for the privileged merchants to play an active role in this area. By that
time, a new group of merchants had already emerged, with their enterprising spirits, soon became captains of commerce.

The privileged merchants did not develop only in the shogun's castle towns. In the domains which had advance economic growth, there appeared a kind of privileged or protected merchants who marketed the han's commodities. Their appearances became conspicuous after the han specialized in agricultural production and industry which contributed to the growth of commerce. Thus the han privileged merchants developed at a much later date than their counterparts in the bakufu's domain.

The bakuban privileged merchants had the closest connections with the feudal lords. This gave them the most advantageous position to acquire wealth while also the most risky way to loose their fortunes. At best they could monopolize trade and enjoy the privileged status of samurai given by the lords. They were permitted to “use surnames and wear two swords when on official business and also received stipends which, in the case of the Konoike, totaled 10,000 koku, as much as a minor daimyo” (Crawcour 1968: 196).

At the worst, the merchants’ fortune could disappear in a matter of days at the will of the shogun and daimyo. Yodoya of Osaka was the most famous example in the early eighteenth century. He was accused of ostentations luxury not befitting a member of the merchant class. The Yodoya house was the most prominent in Osaka and had a long tradition in commerce. The successive heads of the house of Yodoya enjoyed rice stipends, wore swords as the agents of some thirty-three daimyo, and lived in a mansion which was more luxurious than those of most of the daimyo themselves. But the fall of the Yodoya, particularly the lists of his enormous wealth, did not figure prominently in the records of the business community after the middle of the seventeenth century. Crawcour suggests that the traditional accounts of the fall of this famous house should be treated as fiction (Crawcour 1968: 195).

In short, the privileged merchants represented the initial development of merchant capital in Tokugawa Japan. On the one hand, they contributed to organizing the castle town economy and initiated a credit system which was very advantageous for the development of the merchant class in the long run. On the other hand, their roles were limited by the existing feudal conditions, particularly by the bakuban system. The merchant capital therefore turned more to usury capital.

Traditional interpretations often suggest that the merchants had a certain amount of economic power and thus were the major cause of economic troubles for the regime (Honjo 1965[1935]). In this period, it is clear that the privileged merchants had little access to the rural production system and, more or less, de-
fensively ran their businesses with the lords. William Spurr also points out that before 1789, economic fluctuations in Japan were caused mainly by famines, the acts of government in currency debasement, price fixing, and natural disasters like fires, earthquakes, and epidemics. He concludes that these are irregular disturbing causes, having their origins outside the field of business (Spurr 1938: 663). Therefore, in this period, the merchant capital had little effect in the disintegration of the feudal system.

A further development of the merchant class was the appearance of the wholesale merchants (tonya). A number of factors contributed to the rise of this group: an increase in agricultural production of cash crops and related industries in the rural areas, the population in the castle towns continued to increase together with the standard of living, competition within the merchant class, and finally the bakufu and han policies to solve their economic problems.

It is evident that the rural economic growth began in the last quarter of the seventeenth century and the early eighteenth century. The Kinai developed cotton, sake, and oil processing industries which became the economic base for villages in Kawachi, Settsu, and Yamashiro, while most of the villages cultivated some kind of commercial crops. In Okayama, the center of gravity of the domain's economic activities rapidly began to shift away from the castle town of Okayama to the coastal districts, and especially to the island of Kojima. Around 1780, Takasawa Tadayori, a prominent official of Kaga han set down his impressions of the state of the realm. As noted by R. Flershem (1966: 183):

"...During the previous century the castle town, Kanazawa, had been expanding, and its citizens, Samurai and merchants, were increasingly indulging in luxury as urban life developed. This tendency, it seemed, was even spreading to the villages. Peasants were still not as bad as merchants, but there were knowing, worldly villagers who liked the fleshpots of the towns and were moving to them, deserting the land, whenever they saw the chance. The more fortunate of the villagers were becoming merchants, wore fine clothes, dissipated, and idled. Such conduct roused envy, and those who wished to escape from husbandry into commerce were increasing in number."


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The rapid growth of the regional economies was due importantly to the improved technique of production which enabled a specialization of production in each region. The best example can be seen from the growth of sericulture in Shindatsu during the eighteenth and nineteenth centuries which changed the character of its rural economy from a self-sufficient village economy based on cereals to a regional economy centered on rearing silkworms and processing raw silk (Vlastos 1977).

The growth of commerce and manufacturing in regions around the country provided new opportunities for the city merchants who were hardly infiltrated into the privileged realm of business. With their independent, adventurous and enterprising spirit, they went to the producers and advanced capital to them which enabled them to buy on very advantageous terms. The wholesalers and shippers (*tonya*) became middlemen between producers and consumers and profited most since they knew and had better information on both ends.

One significant characteristic of the wholesale trade is its long chains between production and consumption. For the wholesale merchants, the longer the chains, the more successful they became at freeing themselves from the usual regulations and controls of the officials, and in choosing whatever commodities would maximize their profits. Long-distance trade then became a necessary part of the rise of the wholesalers.

Since shipping usually deals with long-distance trade, it would be more helpful to glance at some of its data. In 1679 there were eight Edo shipping *tonya* and in 1711-15 the numbers of regional shipping agents increased to 286 and in 1772-80 to 321 (Hauser 1974: 21-26). There are problems in interpreting the data on regional shipping agents, but they do suggest a dramatic increase during the eighteenth century. The data on ships and ship-owners in 1804 to 1867 also give the same impression. There are 809 ship-owners who own 1,137 ships (Flershem 1966: 183).In the 1680’s, the *tonya*, based mainly in Kyoto or Osaka, vigorously developed wholesale trade between Kansai and the western provinces and Edo. They also opened trade with Hokkaido. By 1679 there were 382 *tonya* in Osaka and increased significantly to 5,538 by the early eighteenth century (Hauser 1974: 24). Osaka was not only a major rice market but was the primary commodity market for western Japan. During the last four decades of the seventeenth century, the Osaka *tonya* merchants gradually took over the commercial leadership from the earlier privileged merchants. Their position as “captains of commerce” was established and strengthened in 1694 when the Osaka shippers’ *tonya* organized with the Edo purchasing *tonya* called the *tokumi tonya*. They controlled at least...
twenty-two different trades and monopolized the shipping lines between Osaka and Edo, and enhanced the shipping business by providing safe, efficient, and speedy service in their famous bansen system (Sheldon 1958: 59-63). As their economic became more prominent, Takekoshi observes that the executors of the tokumi tonya were like lords of provinces. “This guild may be likened to the East India Company,” says Takekoshi, “The only difference being that where one had its rights overseas, the other had them at home” (Takekoshi 1930: 250). But what is more important is the tokumi tonya never had their rights and representations in the Tokugawa government. One factor that makes the tonya merchants look more powerful is the bakufu’s relaxation in economic policies.

The official policy of the first century of Tokugawa rule was relatively liberal, though the actual conditions were not at all conducive to commercial freedom (Hall 1951: 28). However, the merchant class flourished and expanded their economic activities as they had never been before. Generally, the bakufu’s economic policies vacillated between the two economic schools of thoughts. First, the “Confucian school” stressed the natural harmony of a society but was against the existence of the merchant. It therefore advocated the direct suppression of the merchant class. Second, the “realistic school” called for recognition of the nature of commerce and utilized them for the good of the regime and country (Hall 1951: 29).

The organization of merchant groups into nakama (trade associations) during the second half of the seventeenth century was an active step on the part of the merchants to achieve their business aims. They were initially antithetical to bakufu commercial policies but unable to abolish the nakama the government decided to utilize them. Kabunakama, then were tightly incorporated into the feudal order of Tokugawa Japan. For the government, kabunakama served for policing business practices, controlling foreign trade, working for the acceptance and promotion of new coins, contributing money to the shogun, etc. For the wholesale merchants, nakama prohibited competition both within the organization, among members, and outside, preventing free entry to trade. This practice discouraged individual initiative and the expansion of individual enterprises. This type of limitation of commercial goods was in harmony with Yoshimune’s policy of frugality, and the 1721 order recognizing and encouraging kabunakama specifically forbids the manufacture of “new things.” At first, the control of production assisted production, but in time the limitation of supply and the control of prices restricted production (Sheldon 1958: 112). Basically, the feudal lords had negative attitude towards the merchant class. But practically, they preferred and welcomed the services of the merchants which in turn enabled the lords to enjoy a more luxurious life. Crawcour notes that there was at the end of the seventeenth century a positive attitude towards economic activity and innovation which resulted
from the ingenious services to the regime of many merchants, notably Kawamura Auiken (Crawcour 1966: 23).

The greatest stimulus to the development of kabunakama came during the years when Tanuma Okitsugu was the bakufu minister (1760-87). In order to bolster its weakening finances, the bakufu sought to multiply state monopolies and granted an unprecedented number of monopolistic rights to merchants and merchant organizations in return for the payment of charter fee (unjo-kin) and regular contributions (myoga-kin). Even the houses of prostitution were granted official status by paying unjo to the government. Though the succeeding administrations’ economic policies became more hostile to the merchant class, they managed to grow and enjoy their monopolistic rights and profits until 1841, when the nakama were abolished by the bakufu.

VI

The rural merchants came as a final phase in the development of merchant capital in Tokugawa Japan. Most scholarship on Tokugawa economic history often see them as the forerunners of the modern entrepreneur as they had the least difficulty in adjusting to a free enterprise capitalist economy after the Meiji Restoration.

The rise of the rural merchants correlated with the growth of rural economic development, particularly commercial agriculture and domestic industries, which became nationally important after 1800. The spread of industry was prompted in part by the desire on the part of the city merchants to escape from the restrictive practices of the commercial guilds, and partly by an enormous increase in demand for industrial products in the country markets. Also most of the growing villages were accompanied by local expansion of trade or industry which attracted many workers from cities or nearby villages. The narrowing of the gap between urban and rural wages, at least in the region surrounding the cities helped in moving the industries and workers to the countryside (Saito 1978: 84-100). Furthermore, the political ability of the ruling class to tax away increasing “surpluses” from non-agricultural production declined during the latter half of the Tokugawa period. Most daimyo had come to realize that by introducing commerce and industries into their han, they could earn more revenue and reduced their financial shortages.

After the middle Tokugawa period, the economic structure of the country began to change significantly, though unevenly. The larger consumption markets had been transferred from the castle towns to the “country places” which at the same time served as the sites for commerce and industries. This means the
economic structure of the village had changed from “self-sufficient” to a market economy.

By the early nineteenth century, the peasants grew what soil, climate, and price favored, regardless of what they themselves needed. If a farmer was short of funds or raw material, it made no difference since nearly everything was available in the local market, supplied with commodities from places scores or even hundreds of miles away. Takemoto Ryuhei (1769–1820) of Okayama fief reflected the views of his contemporaries regarding the spread of commerce in the villages, saying that (Smith 1959: 165):

"In recent years the number of small shops and merchants in country districts has greatly increased, and there are now a great many of them. This is the source of the economic difficulties of the city and of the extravagance of the countryside. Even in remote mountain villages there are people who sell clothing and small articles, and some people spend their spare cash on these goods... It is possible to forbid people living in the village from becoming merchants. But at the present time for many peasants it is impossible to make a living from cultivation alone; hence they must spend part of their time in trade."

Like their counterparts in the cities, the rural merchants were not a monolithic social group. They included wealthy peasants, who operated money-lending, trade and manufacture in the villages; smaller merchants and itinerant peddlers. Their origins were diverse. Some came from other cities like the Omi merchants. Some were the village samurai and headmen who descended remotely from warriors left on the land. And some successful rural merchants were "new men coming from no one knew where, who made their way up through petty trade and money-lending" (Smith 1973: 151).

Their accumulated capital, therefore, were similarly mixed. Some capital came from commercial farming and industries; some from the ground rent; and some from the profits of money-lending. By the late Tokugawa period, the impressions of their contemporaries were that the wealth of the rural merchants came mainly from non-agricultural sources, i.e., making sake or vegetable oil, or operating pawnshops. Surviving local documents show that the rural merchants

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amassed land, entertained famous scholars, built fine houses, and sent their sons off to town to school. They also developed a taste for noble culture by writing poetry, collecting ceramics, wearing swords, and celebrating masses to the dead in samurai style (Smith 1973: 152). Yet, unlike the city merchants, the rural merchants still maintained their relations to agricultural production in the villages, even though they might not directly engage in the production processes themselves. They tended to operate on tenancy and could turn their time and energy to trade and industry.

Studies show that the wealthy rural merchants owned large amounts of land in the villages. In the Kinki area, landowners of 50  chō7 and more are 48 per cent merchants and 24 per cent village samurai and headmen (Hirshmeier 1964). Chambliss also found a correlation of merchants and their land holdings. Among the eleven peasants in the Chiaraijima village who traded in indigo, most of them ranked among the medium and larger land holders, and at least three were at the same time silk-warm egg card dealers (Chambliss 1965: 23).

Historians saw the concentration of land in the hands of the wealthy rural merchants as a source of hardships for the peasants while the Marxists attributed to the exploitation of peasants through ground rent, usury interest, and commercial profits. Tsuchiya represents the views of historians who see that “Fertile lands are entirely swallowed up by the rich, and the many calamities of the people finally become the calamities of the state… The source of all evil is the concentration of land” (Norman 1940).

Recent reinterpretations of Tokugawa economic history challenge all the traditional and Marxist viewpoints (Hauser 1981). Hanley and Yamamura proposed their new assumptions that “the growth of rural commerce and industry can be explained in terms of the rising living standard of the people in and around the areas largely responsible for this growth (places to which labor moved from agriculture) and more importantly, by the rising real income and of the agricultural population in general.” The disintegration of the peasant class, instead of being the source of all evil, was the outcome of the peasants’ efforts to improve their standard of living. They left the lands on their own rationality in response to the changing conditions in the markets and especially to the rising cost of labor (Hanley and Yamamura 1977).

Recent documentation tends to support the new interpretations of Tokugawa economic history. There is little doubt that the economic lives of the commoners had been improved due to the continued increasing agricultural productivity, communication system, and technological diffusion.

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7 Unit of land equal to 10 tan or 2.45 acres

92 Thanet Aphornsuan
The rise of the rural entrepreneurs dealt a serious blow to the city merchants and artisans who began to express their complaints against the country competition. They asked the government to suppress rural trade and merchants. But this proved to be to no avail. The city merchant monopolies and monopsonies were reduced as a result of the rural competition and the breakup of the city merchants’ guilds. Such development of competition between the city and rural merchants was in a way similar to the competition between the privileged and the wholesale merchants. This time, however, competition was for the purchase of industrial materials and products rather than for markets (Crawcour 1963: 200). After the dissolution of *kabunakama* in 1842, the city *tonya* ceased to be “captains of commerce” and “lords of provinces.”

By the end of the Tokugawa period, there appeared a new set of production relations making their way into various parts of the country. The market operated more and more on contractual relationships which resulted in the increased market consciousness. All of these developments, on the one hand, had weakened the feudal relation of production and, on the other, had provided “a head start on both human capital and capital stock which would be essential to the post 1868 experience of modern economic growth in Japan” (Hauser 1981: 9).

VII

The role of merchant capital in the late Tokugawa period was its expansion towards productive enterprise on a larger scale than the past. This stimulated the mode of exchange and provided more economic space for modern economic development (Akimoto 1981: 40-59). Nevertheless, the merchant capital was unable to turn itself into industrial capital. The predominance of the feudal landlord class over state power is the first and most important factor. Technological know-how or productive force is another. The merchant class, until the end of the Tokugawa rule, had never enjoyed huge profits from colonies like their counterparts in Europe. They did not have a mass-market to stimulate their productive capability. Therefore, the domestic industries and manufacture were “uniformly small-scale and limited to work requiring little skill” (Smith 1969: 706).

The size of the industry may give different impressions. Tsuchiya says there was example of fairly large scale production which he labeled “manufacture.” Nonetheless, it seems clear that the large scale of production or manufacture had not been dominant in the late Tokugawa period (Ike 1949: 187). The German scientist Siebold, who traveled widely in Japan during the years 1823-28, recorded the existence of a number of “grosse Manufaktuchandlungen” making wine, *shoyu*, ceramics, and iron, and employing as many as seven hundred workers. Most such enterprises were in rural districts and worked primarily with part-time or seasonal
farm labor. Small village enterprises employing between five and twenty workers were common in the sugar, tea, oil, sericulture, and textile industries (Smith 1969: 707). Vlastos noted that the development of sericulture in *Shindatsu* by the end of the Tokugawa period, had produced a “two-tiered structure in which large and small producers co-existed without direct conflict... And the large-scale producer did not predominate to the exclusion of small producers” (Vlastos 1977: 107).

**Conclusion**

The history of the merchant class in Tokugawa Japan demonstrates an interesting rise and fall of the merchants within a predominantly feudal society. There are conflicting views on the development of this class. Prewar writers tend to lump together the different roles and developments of particular merchant groups and present a rather static and one-sided picture of the merchant class. Their economic power is also overemphasized, and the traditional and Marxist historians quickly attribute the fall of the Tokugawa regime to the rise of the merchant class. The growth of commerce and industry has certain effects in the courses of economic and political changes. But it is obvious that the political roles of the merchant class are still much less significant than their economic roles. The merchant class as a whole does not cause the total transformation of the Tokugawa society. This can be seen from the role of merchant capital in relations with the distribution and production processes and its impact towards the feudal society in general.

There are three distinct phases of merchant capital in its development for two and a half centuries. First, in the early Tokugawa period, merchant capital was stimulated largely by the needs of the *bakuhan* system. The rise of the castle towns and the *sankin-kotai* system significantly contributed to the emergence of a large consumption market and the exchange of goods, particularly in the three cities controlled by the *bakufu*—Kyoto, Osaka, and Edo. The sale of tax rice dominated the cities business transactions and provided means for the merchants to swell their profits in a gradually more complicated money economy. The rice merchants then were co-opted into the feudal lord’s retainers and were granted certain privileges of the warrior’s class. Merchant capital in the early period therefore had a limited role in the cities, and mostly served the needs of the lords in exchanging goods for cash. The accumulation of capital mainly came from speculation in rice sales and money lending to the daimyo and their retainers. Usury capital thus characterized the role of merchant capital in this period.

The eighteenth century saw the gradual expansion of commerce in various parts of the country as a result of regional economic growth. Also, the impact of commerce on the economic problems of the regime was increasingly felt by the
government. The merchant class had flourished and eagerly expanded their capital outside the castle towns. The *tonya* merchants represented the merchant capital in its second phase of development. The significant character of the *tonya* was its long distance trade which, in a way, freed them, to a certain degree, from the limited role of service to the lords. Their organization into *nakama* to maximize their profits and safety was authorized by the government and finally made them the protected and privileged merchant groups.

Finally, by the late Tokugawa period, commerce and industry found their places in the countryside and reduced the leading economic role of the castle towns. The rural merchants signified the merchant capitalism in this last phase. The *bakufu* and *han* fought a losing battle in their attempts to contain and suppress the growth of commerce and industry in the villages. The significant role of merchant capital was the investment in village industries and trades, which provided more division of labor in the predominantly agricultural production system. This resulted in the rising cost of rural laborer which kept them from migrating into the towns and raised their standard of living in the villages. However, the rural merchants were still bound within a feudal authority structure which limited their activities to a certain extent. Some of them were granted samurai privileges and assisted in the *han*’s economic enterprises. Thus, merchant capital, in its highest stage of the Tokugawa period, could not become industrial capital. The most it could perform was to provide a head start and ground for the eventual emergence of a fully developed capitalist system.
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