

# From “Feudal” Lords to Local Notables

## *The Role of Regional Society in Public Goods Provision from Early Modern to Modern Japan*

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This chapter reviews the workings of public finance in early modern Japan, that is, those of the shogunate and domains (*daimyōs*) and describes the changing patterns of public goods provision toward the nineteenth century—the period covering the transition from the Tokugawa to the Meiji era. The first section of this chapter examines the relative size of public finance of the Tokugawa shogunate and domains, with the purpose of evaluating the changing role of rulers in the latter half of the Tokugawa era. We go on to discuss the role of the regional society in terms of public goods provision by focusing on the activities of local notables, comprising wealthy farmers, landowners, brewers, and local merchants. The second section extends the scope of the discussion to the Meiji era. After pointing out the significant role of local public finance, which was institutionalized under the centralized Meiji government, the diverse activities of local notables, ranging from industrial investments in local enterprises to being the leader of local entities, are discussed in search of the driving force for public goods provision in the regional society.

### THE CHANGING FACE OF “PUBLIC FINANCE” UNDER THE TOKUGAWA REGIME

#### *The “Annual Tribute” as the Financial Basis of Rulers*

We describe the financial situation of the rulers by examining their revenue and expenditure, and discuss the changing behavior of rulers in terms of public goods provision. Throughout the Tokugawa regime, the levy (*nengu*, in Japanese) imposed on lands and paid in kind (i.e., generally in the form of rice) constituted the major part of the revenue earned by the shogunate, as well as domains.

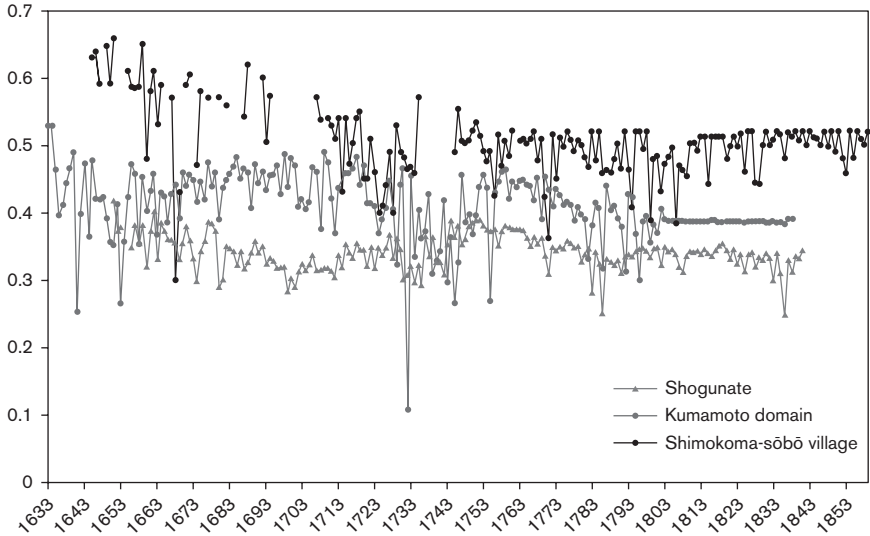


FIGURE 1. The Changing Patterns of “Tribute Rate”: Shogunate, Domain, Village

Source: Sawai and Tanimoto 2016, figure 1.2, Tanimoto 2018, figure 2.

Hereafter, we use the term “annual tribute” for this levy, as literally implied by the Japanese term *nengu*. The amount of revenue collected by each domain was influenced largely by the volume of the annual tribute.

Then, how were the volumes of annual tribute determined? The rulers executed a cadastral survey to set the official estimation of yearly rice production per land area during an early stage of their reign, and a certain proportion of this official estimation was imposed on each landowner (usually a peasant household) as annual tribute. Figure 1 shows the long-term fluctuation of this proportion in each territory, that is, the imposed volume of the annual tribute divided by the formal estimation of production (hereafter, “tribute rate”). Figure 1 shows the tribute rates of three different areas. The grey line with triangle markers and gray line with circle markers express the weighted average of tribute rates among villages in the domains of the Tokugawa shogunate and the Hosokawa family (Kumamoto domain), respectively.<sup>1</sup> The remaining solid black line with circle markers shows the tribute rate of Shimokoma-sōbō village in the Yamashiro province, located in the western part of Honshū, the “Main Island” of Japan.

First, it is worth pointing out that the tribute rates in these figures stagnated or even declined over time. In fact, all the tribute rates remained stagnant after the latter half of the eighteenth century. Furthermore, we notice the relatively high tribute rate in the seventeenth century. This is particularly distinct in Shimokoma-sōbō village, where the tribute rate from the 1640s to the 1670s exceeded that from the late eighteenth century onward by more than ten percentage points. Even in

the domains of the Tokugawa shogunate and the Hosokawa family, the relatively high rate in the mid-seventeenth century cannot be denied.

Second, we have to pay attention to the fact that the tribute rates indicated in these figures should be taken as a "nominal" index for measuring the distribution of the economic value between rulers and peasants. It was often the case that the official estimate of production per land remained at the level fixed during the seventeenth century, when the rulers had executed cadastral surveys, even in the subsequent centuries. Indeed, *muradaka*, the values of villages expressed in *koku*, were recorded as fixed numbers from the mid-seventeenth to the mid-nineteenth century in Shimokoma-sōbō village.

In contrast, there are several pieces of evidence that indicate the continuous increase in land productivities. The estimation of average land productivity of whole domains from the seventeenth to the nineteenth century suggests that rice yield per acre increased from 0.98 *koku* in 1650 to 1.30 *koku* in 1850 (Miyamoto 2004, 38), and the similar trends were exemplified by several villages in western Japan by aggregating the records from primary sources.<sup>2</sup> Considering the fact that a cadastral survey was rarely carried out after the eighteenth century, it is not unrealistic to conclude that the "substantial tribute rate" that accurately reflects the distribution of economic value to the ruling class was much lower than the level shown in the figures mentioned earlier. In fact, the estimation based on the industrial census in the Kumamoto domain carried out in 1842 revealed that the proportion of the total annual tribute to the aggregate value of production was not more than approximately 23% (Yoshimura 2013, 196–200). In other words, the weight of the public finance of rulers relative to the whole economy tended to deteriorate, at least during the latter half of the Tokugawa period. We have to bear this long-term trend in mind during the following discussion on expenditure.

### *The Changing Pattern of Rulers' Expenditure*

Owing to the loss and destruction of the official documents, data sources for the analysis of the comprehensive financial expenditure of the Tokugawa shogunate are scarce. Table 1 compiles the extant data from three different years of the eighteenth and nineteenth centuries to show the breakdown of the entire annual expenditure. As is shown in the table, the payment for vassals constituted the largest portion in 1730, followed by the expense of satisfying the needs of the Tokugawa family, and these were the largest two in the nineteenth century as well. If we add the expense in kind (rice) for vassals that were managed through another account, the proportion of the two items mentioned earlier increases to more than 60%. On the other hand, the direct expenses, which can be regarded as those incurred to provide public goods, such as the maintenance of infrastructure, seem to have represented a rather small part of expenditure in these years. The significance of the expenditure incurred because of the needs of the lord's family and the vassals

TABLE 1. Breakdown of the Expenditure of Tokugawa Shogunate (Excluding Temporal Expenses)

	(%)		
	1730	1814	1844
Vassals	40.7	29.4	28.0
Tokugawa family	21.3	32.7	30.8
Administrative expense	16.8	7.8	10.9
Providing loans	6.4	11.5	18.9
Others	14.8	18.6	11.3
Total	100	100	100

SOURCE: Calculated from the data shown in Ôguchi 1984, 1989.

was also seen in the case of the domains. For example, the financial data of the Saga domain around 1650 showed that 64% of the expenditure on rice, which accounted for 38% of the total expenditure, was allocated as stipends of vassals, and around 50% of the entire expenditure was spent outside the domain, mainly in Edo,<sup>3</sup> the capital of the Tokugawa regime (renamed Tokyo in 1868). Since the needs of the lord and his family are likely to have occurred at their place of residence, the Edo expenditure should largely be classified as consumption-related expenditure, mainly for the lord's family and his vassals.

However, considering the irregularity of expenses on construction or famine relief, table 1 is not sufficient for the evaluation of the role of public goods provision by the Tokugawa shogunate or other domains. In fact, many extant individual records show that the participation of rulers in construction and civil engineering projects or famine relief. Table 2 lists the various projects run by the Tokugawa shogunate with the help of *daimyōs* (*otetsudai-fushin*). From the table, we can identify that the seventeenth century was the age of construction. A number of construction projects, comprising the building as well as repairing of castles, temples, and shrines, were executed under this scheme. For example, the Tokugawa shogunate started the expansion work to Edo castle in 1606, and it lasted more than thirty years. After the Siege of Osaka in 1614–1615, whereby the Tokugawa shogunate overthrew the former ruler of the Toyotomi family, the shogunate reconstructed the Osaka castle as a symbol of Tokugawa's reign over the western part of the Japanese archipelago from 1620 onward. As the castle construction projects included a wider range of works, these projects should be recognized as contributing not only to the construction of the place of residence of the Tokugawa family, but also to the creation of the capital (Edo) or the core city in western Japan (Osaka). In fact, the construction works that began in 1603 reclaimed a part of Edo bay by leveling a nearby hill, thereby creating an urban area where the warrior class and others could gather; this realized the policy of residential demarcation between the ruling class of warriors and their peasant subjects.

TABLE 2. Number of Project under the Scheme of *otetsudai-fushin* (Construction Helped by Domain Lords)

	1601–1650	1651–1700	1701–1750	1751–1800	1801–1850	1851–	Total
<b>Number of projects</b>							
Castle building	2						2
Castle repairing	46	13	10	4	4	1	78
City/town building	11	8	5	1			25
Temple and shrine building and repairing	13	55	35	24	18	4	149
Imperial Palace repairing	2	3	2	2	1	1	11
River repairing			14	24	21	1	60
Total	74	79	66	55	44	7	325
<b>Average number of helping domain lords per project (Available cases, 311 out of 325)</b>							
Castle building	13.0*						
Castle repairing	9.4*	4.2	5.1	3.0	5.0*		
City/town building	9.5*	1.1	1.8	1.0			
Temple and shrine building and repairing	3.9	1.3	1.3	1.8	3.4	3.5	
Imperial Palace repairing	250.0	8.5*	7.5	4.0	3.0	13.0	
River repairing			3.9	4.0	5.0	7.0	

Source: Made out of the data set compiled in Yoshizumi 1968.

Note: \* Denotes that the number is underestimated due to the constraint of the data.

On the other hand, the number of projects categorized as civil engineering works on river control in table 2 requires additional information for an appropriate interpretation. Their appearance from the early eighteenth century onward did not mean that the shogunate or domains had not been engaged in this field before. While we have not had a comprehensive data set yet, many records indicate that the shogunate as well as the domains directly managed the civil engineering works during the seventeenth century; these included river improvement, harbor constructions, building of irrigation ponds, and land reclamations (Furushima 1956). Most of these large projects, which were organized directly by the shogunate or domains in terms of finance and management, were called *go-fushin*, which literally means “construction by rulers,” in the Japanese of that period. Thus, the seventeenth century can largely be seen as the age of construction by rulers.

Considering these facts, we could derive two intriguing implications from table 2. The first is that the large works of castle and town construction almost ceased before the turn of the eighteenth century. Specifically, the number of construction works related to castles decreased significantly in the latter half of the seventeenth century. This was a direct reflection of the relaxation of the military tension between the Tokugawa shogunate and the domain lords. In fact, the number of events related to military affairs—such as the military parade to the Nikkō Tōshōgū, a formal pilgrimage to the sacred shrine dedicated to the founder of the Tokugawa shogunate—decreased drastically from the latter half of the seventeenth century onward (Tanimoto 2015). This marked the substantial start of “peace” under the Tokugawa regime, which might have changed the rulers’ financial needs.

While military issues lost their significance, the influence of diplomatic manipulation increased, especially in the political arena in Edo. This required expenditure for facilitating social contact among rulers, which was reflected in the rising expenses of rulers’ “public finance” in Edo, and also in the rulers’ hometown.

Establishing a domain-ran kiln in the Saga domain distinctively exemplified the efforts that the domains made for pursuing diplomatic success. Based on the transplanted technology via Korean craftsman around the turn of the seventeenth century, the Saga domain built its own kiln in the middle of the seventeenth century; it would specialize in producing uniquely designed and sophisticated porcelains. They were given to the shogun or other prominent *daimyōs* as gifts, facilitating social contact with politically influential entities for sustaining, or in some cases acquiring, a favorable position among the ruling class (Ōhashi 2007). In addition, because of the concentration of the warrior class in an urban agglomeration, the standard level of consumption among lords and vassals must have increased in the capital city of Edo or in the castle towns. In short, the stress given to the rulers’ expenditure moved from “investment” to “consumption,” in accordance with the start of the so-called Pax Tokugawa era.

The second point is that the shogunate added the civil engineering works for controlling river waters into the *otetsudai-fushin* scheme from the beginning of the eighteenth century. Given that rulers, including the Tokugawa shogunate, had been reducing their investment in construction, it is not unrealistic to assume that this was derived from the motivation of the shogunate to reduce its financial expenditure by utilizing the domains' resources for shogunate-run projects on river control (Yoshizumi 1967).

A similar motivation can be observed in the shogunate establishing a new scheme called *kuniyaku-fushin* (which literally means "province's construction duties") in 1720, under which the shogunate bore 10% of the total cost, whereas the domain lord and the village whose territory was located within the area of the province (*kuni*) concerned bore the rest (Kasaya 1976). The significance of these schemes for the Tokugawa shogunate can be seen through the available data (which is rather fragmented) on the finance of the Tokugawa shogunate between 1789 and 1815. According to this, the average annual additional revenue and expenditure reached approximately 10% to 15% of the normal revenue and expenses. An extra expenditure of 3.5 million *ryō*<sup>4</sup> included 1.3 million *ryō* on riparian works, which were largely financed by the *otetsudai-fushin* and *kuniyaku-fushin* schemes mentioned earlier. Here, we notice signs of the changing behavior of the Tokugawa shogunate in terms of building and maintaining infrastructure to control water.

A similar change can be seen in the areas of famine and poverty relief. Though the shogunate was accustomed to providing loans to impoverished domains affected by a bad harvest, it turns out that these loans were apparently reduced during the 1780s when the great famine of Tenmei occurred. Concerning the method of poverty relief, the shogunate indeed established a loan system for the poor, and ordered villages to ensure adequate stock in granaries to counter the impact of a bad harvest, as part of the political reform of the late eighteenth century by the Tokugawa shogunate, known as the Kansei Reforms.<sup>5</sup> However, even in these projects, the shogunate tried to control its expenses by introducing external monetary resources. For example, the financial basis for the loans provided to the needy and destitute by the shogunate was the interest income earned by a scheme of lending official money to merchants and wealthy farmers. Official granaries in the village were also filled with rice or other grains that were mainly delivered by the villagers, rather than rulers. Thus, each scheme was usually planned in such a way that its financial basis was the introduction of money or in-kind delivery from wealthy peasants or landowners (Takeuchi 2009, Matsuzawa 2009). In sum, the expenditure on infrastructure or poverty relief by the Tokugawa shogunate, which can be categorized as public goods in this volume, was dependent on the external introduction of extra money and resources, apart from the "annual tribute" that was the economic foundation of rulers under the Tokugawa regime.

### *Structural Change*

We assume that the structural change in public finance was responsible for the change in behavior of the Tokugawa shogunate, as was the case in other domains toward public goods provision during the course of its regime. In the seventeenth century, specifically the first half, the projects run by the shogunate and *daimyōs* were more or less related to the “military” issues. Not only organizing military parades but also the outlay for construction and repair of castles and castle towns were recognized as “military” expenditure in preparation for conflicts among rulers.

In contrast, active expenditure on public engineering works for water control and transportation facilities might be seen, *prima facie*, as a kind of infrastructure development that resembled the so-called public investments by modern governments. However, the motivations for this investment were largely derived from the rulers’ interest in enhancing the basis of imposing land levy, or settling the ways to sell their annual tribute in a more profitable manner. Insofar as they are recognized as methods to strengthen the fiscal and military ability of rulers, they shared an objective that was similar to that of the military-related expenses mentioned earlier.

Therefore, it seems far-fetched to assume any kind of benevolent ideas behind this “public” expenditure during the Tokugawa regime, at least through the seventeenth century. In fact, the Confucian idea of benevolent rule was not prevalent among the warrior class in this period, and only a few *daimyōs* showed interest in these rather new ideas that originated in China or Korea and were later introduced into the archipelago. The rulers’ main concern was the formation of a social and political order among the ruling warrior class, which was originally based on its military powers, as well as economic abilities. The subjects were considered to be governed because of the power and authority of the rulers (Watanabe 2010). From the rulers’ point of view, the public social spaces for public goods provision were nonexistent.

However, for ordinary people, the need to be protected from the external military threat might have been pressing because of the simmering tension among members of the ruling class in the first half of the seventeenth century, not long after the Age of Civil Wars. In this context, the rulers’ military expenses could possibly be justified as the unavoidable costs incurred from self-defense. As per this line of thinking, establishing and maintaining sociopolitical order among the rulers were also deemed efforts at keeping “peace.” Considering the fact that national defense exemplifies the attribute of a “pure” public good in textbooks of economics, rulers’ expenses related to military issues in a broad sense might have been situated in public social space by peasant subjects in light of people’s ordinary lives.

Regarding the civil engineering works for infrastructure, the economic interests of the people and rulers were likely to overlap more. The Owari domain, for



instance, expended its resources on the river-controlling project in response to the peasants' request during the land reclamations around 1650 (Nishida 1984). If "peace" and infrastructure construction were demanded by the people, they deserved to be defined as public goods, regardless of the intention of the providers, that is, the shogunate and *daimyōs*. It is noteworthy that the cost of these projects could be covered by the relatively high tribute rate in the seventeenth century. From our point of view, the high tribute rate in this period seems to be balanced, thereby allowing the expenditure on these projects. In other words, public goods such as "peace" that were potentially seen as expensive by peasants subjects deserved to be acquired at the cost of a heavy levy imposed on their lands, or at least recognized as in the tolerable range of balancing the costs and benefits.

However, the relaxation of the tension among rulers (specifically between the shogunate and the lords) in the late seventeenth century changed the requirement for public finance. In fact, temples built for the use of the families of the Tokugawa or other lords became a major component of the expenditure on urban construction. While military issues lost significance, the expenditure on social contact among rulers increased; this is because the issue of maintaining sociopolitical order was intrinsically a matter among the ruling class. In a broad sense, the expenditure tended toward consumption instead of investment.

The financial deficit of the shogunate, as well as many other domains, around 1700 can be regarded as a consequence of this structural change. In theory, the deficit in public finance can be tackled by increasing revenue, and specifically by raising the annual tribute rate. In fact, as shown in figure 1, the shogunate was at least nominally successful in regaining during the mid-eighteenth century the rate prevalent earlier. However, even the shogunate could not let the tribute rate exceed the nominal seventeenth-century level; therefore, it began to decline from the latter half of the eighteenth century onward.

As can be seen in figure 1, the tribute rate in other areas remained stagnant or even decreased over time. It is noteworthy that there was a decline in the annual tribute rate not only relative to production growth, which has been widely mentioned in the existing literature, but also in absolute terms when compared with the rate during the seventeenth century. The persistent imbalance, that is, the increase in consumption-related expenditure and the stagnation in revenue, seems to be, at least partially, a reflection of the mismatch between the expectation of the defrayers of the annual tribute and the rulers' behavior. It is not incorrect to believe that the "publicness" of the expenditure of the shogunate and domains weakened as military issues lost their social significance, and that the rising expense on rulers' consumption could not obtain the recognition that accommodates the need to provide public goods that might raise welfare.

How did the rulers cope with the persistent financial deficits? On the revenue side, studies exist that discuss the loans from merchants, the role of recoinage and issuance of paper money, and the industry-promoting policy executed by the

domains. From our point of view, however, the expenditure side should be significant. As we have seen in table 1, several studies insist that the number of redundant vassals could not be effectively curtailed (Ōguchi 1989, Morishita 2012). In fact, as the chapter by Kenichiro Aratake in part 1 suggests, only a small number of them could be regarded as officials engaged in civil administration. The recognition of legitimacy of ruling people and maintaining political and social order with the ruling warrior class had still depended on fulfilling the military responsibilities. Under these conditions, if thrift ordinances could not drastically reduce the consumption level, the persistent financial problems affected the provision of public goods; this was the case for the shogunate, as well as most of the domains. The above-mentioned schemes, executed by the shogunate to introduce external monetary resources, were among the ways devised to cope with these issues, thereby avoiding a significant retreat from public goods provision. However, considering the ruling class as a whole, some schemes, such as *otetsudai-fushin* (domains' help), which transferred a certain amount of funds from domains to the shogunate and might have resulted in curtailing the expenditure for the domain's own purpose, were insufficient to meet the needs.

In that sense, the introduction of external monetary and other resources, that is, from merchants or wealthy farmers, was an essential source for public goods provision, besides the annual tribute to the rulers. From the rulers' point of view, these might be recognized as intentional outsourcing of public goods provision because of the shortage of revenue. In fact, it is said that the idea of benevolent policy toward the ruled, *osukui* (literally "help" in Japanese), existed widely among rulers from the eighteenth century onward (Fukaya 1993). In contrast, it was also in this century that the public finance capacity of the rulers weakened so much that they could not even collect sufficient annual tribute to meet their financial demands. Therefore, it does not follow that there were potential agreements between the rulers and the ruled about public goods provision, which we supposed earlier to exist in the seventeenth century, though in a different manner, even if we recognize the prevalence of the idea of benevolent policy in this period. It could potentially be interpreted as the emergence, at least from a financial perspective, of new providers of public goods who were not from the ruling warrior class. Examples of direct commitment to public goods provision by the nonruling class are discussed in the following section.

### *Infrastructure Development in the Regions*

Shifting our focus from rulers' activities to a regional level, we can easily find examples of public goods provision (specifically from late eighteenth century) in which ordinary people from outside the ruling warrior class had a significant participation.

The construction of an irrigation pond in Izawa village, located in Ise province (the present-day Mie prefecture) in the central part of Honshū, was one of

these cases.<sup>6</sup> In 1836, three prominent members of this village—all of whom had made their fortunes by being engaged in businesses other than cultivation or landholding—planned a project of building an irrigation pond to solve the water-shortage problem faced by farmers of the village. They had already contributed to the village by taking over its debt of two thousand *ryō* in 1833. According to a diary written by Hikosaburō Takekawa, the leader of this irrigation project, the plan aimed to rebuild the livelihood of villagers who were grievously affected by an extremely poor harvest in 1836; this was known as the Great Famine of Tenpō period. Three families shared the total expenses of thirty-five hundred *ryō*;<sup>7</sup> the project, which was completed in 1838, started to provide water to twenty-six hectares of paddy lands.

Thus, this construction work depended entirely on villagers' finance under the "authorization" of the ruler of the village, that is, of the Toba domain. We use the term "authorization" instead of "permission" because we assume that the ruler had a role during arbitration proceedings in the case of disputes such as irrigation works that might potentially affect the water supply to neighboring villages. In this sense, the works were carried out under the jurisdiction of the Toba domain. However, the execution and management of the works were delegated entirely to Takekawa and other prominent villagers. At first, they made contact with engineers through their acquaintances in the neighboring village. It is noteworthy that these two engineers, Saisuke Otohe and his subordinate, were skilled engineers of the warrior class who were in the service of the prominent Kishū domain, which was adjacent to the Toba domain. They made a concrete plan by measuring the area, and gave advice in their spare time to Takekawa during the construction works. In short, they were "hired" by villagers on a private basis, and this responsibility was in addition to that arising from their official assignments for the Kishū domain.

Though the labor force was mainly provided by villagers, they were hired by daily wage, apart from the conventional villager's duty imposed by the rulers. In fact, the use of the latter form of labor mobilization had diminished from the mid-seventeenth century onward. The group of skilled workers in the civil engineering works, called *kurokuwamono* (literally "man with black hoe"), was also hired to deal with relatively high-skilled tasks. There even existed some claims from villagers that the employment of skilled workers from outside would reduce employment opportunities for the villagers. These claims clearly imply that the construction works additionally aimed to be a form of job creation for the destitute—an intention that was also mentioned in Takekawa's diary. In fact, although Takekawa estimated that the productivity of *kurokuwamono* exceeded that of the villagers by thirty percentage points, he continued to hire villagers. In sum, this case shows that the irrigation pond and the employment, that is, the infrastructure and poverty relief, were provided by village-based activities that were not dependent on rulers in terms of finance, technology, and workforce.

The Hamaguchi family's contribution to the construction of protection facilities against natural disasters was another distinct example. When a great tsunami hit Hiro village—located in Kishū province (the present-day Wakayama prefecture) in 1856, the seventh Gihei Hamaguchi organized construction work to build an embankment, and supplied fifteen hundred *ryō* over a period of three years. During this time, his soy sauce brewing business was completely entrusted to a manager who, it was said, had to restrain Gihei's demands for money (Tanimoto 1990 and 2006).

Besides these purely civil and voluntary activities, the wealthy and influential families in the region, referred to as “local notables” in this chapter, contributed financially to the projects planned by rulers. Half of the construction of bridges and watercourses in the Kumamoto domain during the first half of the nineteenth century was financed from the reserve fund of annual tribute in the district, and the rest by donations and loans from wealthy farmers (Yoshimura 2013).<sup>8</sup> Although the establishment of a village-level granary from the late eighteenth century onward was based on a policy ordered by the shogunate, it was managed and financed by village people, as mentioned in the previous section.

#### *Village Community and the Formation of a Regional Society*

We assume that these activities were driven not only by a personal and individual motive, but also by the sense of responsibility for the regional society felt by the notables; this sense was derived from the notion of the village as a kind of official entity. The institutional basis that substantialized the notion of the regional society seems to have emerged in the latter half of the Tokugawa regime.

The appearance of quasi-public finance at the village level can be seen as a part thereof. Several empirical studies revealed cases in which the head of the village collected levies from land-owning villagers, in addition to the annual tribute to rulers, in order to fund the village's own expenses. Although rulers tended to dislike the emergence of this budget for fear of it affecting the collection of annual tributes, it did, on occasion, amount to 30% to 40% of the annual tribute.<sup>9</sup> Villages' own expenditure ranged from expenses for maintaining facilities to sponsorship of village festivals, adding the expenses by *gunchū*, which literally means “among the district,” the amount of which was allotted to each village (Fukuyama 1975, Sugahara 1979, Yazawa 1985, Kurushima 1993).

This last expense reveals the formation of a public social space beyond the village, which is called *gunchū*, that is, a cooperative unit of villages. The village heads held meetings, laid down some kind of a protocol that was called *gunchū gijō*, and carried out the tasks that could not be performed by a village on its own. A well-known case in the literature was a petition to the shogunate's office jointly made by the cooperatives of around one thousand villages located in three provinces surrounding Osaka in the 1820s (Tsuda 1961). Their purpose was to break the coalition of the monopolistic merchants of Osaka in order to defend their economic interest

in producing and dealing in cotton products. Moreover, a later study revealed that the cooperatives' tasks were not only to organize these temporary movements, but also to manage daily problems, such as responding to the poor people wandering about in the countryside (Yabuta 1992).

Thus, the geographical unit that covered a much wider area than a single village emerged at least in the early nineteenth century. In fact, the basic idea of the term "regional society" in this chapter is derived from this observation. Founded on the basic and tightly knit institutional body of the village, the regional society extended its coverage beyond this by forming the institution of cooperative villages, which was relatively weak but still quite substantial. In addition, it is important to notice that economic factors might have contributed to substantialize the area. As we have already seen in the case of the petition by villages in the Osaka region, the development of cotton-related businesses communized the economic interest among traders beyond the village, serving as a foundation for collective actions. Therefore, considering that the market-oriented farming and proto-industry characterized the economic development of nineteenth-century Japan, it does not seem unrealistic to assume that economic forces worked as important drivers in the formation of a regional society (Hayami, Saitō, and Toby 2004).

The question is whether the emerging, economically powerful agents, such as the wealthy farmers, brewers, local merchants, and manufacturers, behaved in a manner that substantialized the region. In fact, we have some examples of the wealthy, who were solely pursuing their private profits as economic agents; this invited criticism from other residents (Watanabe 1998). However, it is important to point out that a number of rural wealthy families behaved as notables by pursuing social reputation as well as economic profits; they did so by responding to the expectations of the residents or fulfilling responsibilities toward them. If the social relationships generated by their economic activities extended beyond the village, the residents concerned could not be limited to the villagers. In that sense, economic factors worked as a driving force to substantialize the regional society, which provided many actors who complemented the public goods provision by the rulers. In the next section, we will see how and to what extent this structural change succeeded in the Meiji regime, which heralded the age of centralization.

## BEYOND THE CENTRALIZATION OF MEIJI STATE

### *The Role of Local Public Finances*

In 1868, the Tokugawa shogunate was abolished and the Meiji state's reign began. By abolishing the domain system and executing land reform in the 1870s, the Meiji government established a centralized system of public finance, under which the entire amount of land tax, almost equivalent to the total annual tribute under the Tokugawa regime, was collected as the revenue of the central government.

The proportion of government expenditure to GDP remained stagnant or even declined to 10% during the first stage in the 1880s and early 1890s.<sup>10</sup> The trend reversed with the outbreak of the Sino-Japanese war in 1894, and there were step-wise rises by way of two wars that were the Sino-Japanese war in 1894–1895 and the Russo-Japanese war in 1904–1905. Note that this figure implies the expenditure by the central as well as the local governments; these correspond to two levels—at prefecture and city/town/village. Regarding the relative size of each government, central and local, we recognize from the statistics that the share of central government remained around 70% or above.

Studying the breakdown, however, we find that more than half of the expense of the central government comprised the sum of the military expenditure, and the cost of national debt consisted of interest payment and the redeeming of national bonds. In other words, the amount of expenditure of the local governments was almost equal to the nonmilitary expenditure of the central government. Therefore, if we limit our focus to the expenditure related to the people's livelihood, that is, the provision of public goods for public welfare in a broad sense, the public finance of the local governments carried significant weight.

Specifically in the field of civil engineering and education, the decisive role of local public finance was apparent. Figure 2 shows that the main providers of civil engineering works were the prefecture governments, followed by those of the city/town/village. In fact, this figure indicates that their expenditure occupied around three-quarters of the entire expense on civil engineering works in almost all years. Even though the prefectural governor—usually the senior officer of the Ministry of Home Affairs—was appointed by the central government in those years, the prefectural government was rather independent in financial terms because the prefectural taxes were distinct from national taxes (Kanazawa 2010).

In terms of education, the introduction of the public primary schooling system in 1872 was an epochal moment in institutional change. It was based on the promulgation of the “education system order” by the central government, which ordered the start of primary schooling in each of the local entities—village and town—that were reorganized through the institutional reformation processes in the early Meiji period. However, there was only a small expenditure on education by the governments up to 1878. Even though the expenditure increased significantly in 1879, the primary school system that was launched depended mainly on donations from the regional society, as the central government solely focused on higher education (at least up to the early twentieth century). The local governments, especially those of the city/town/village, incurred education expenditure from 1879. The expenditure first rose at the turn of the century, and then, after 1907, with the extension of the primary school period from four to six years, taking up nearly half of the total expenditure of the city/town/village governments. Among the entire expenditure on education by the governments, the share of the central government did not exceed 20% up to the 1910s.

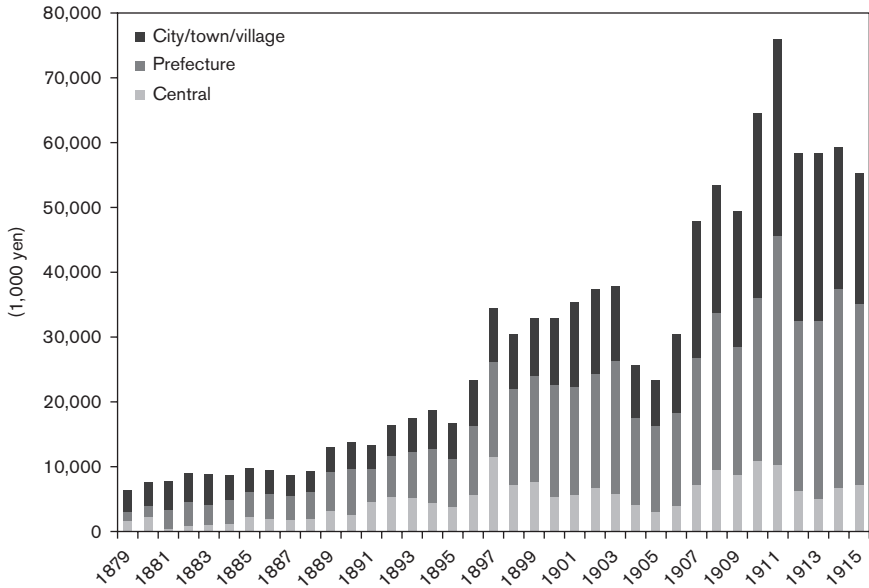


FIGURE 2. Expenditure for Civil Engineering Work by Public Finance (Estimated by Source of Revenue)

Source: Naikaku Tōkeikyoku, ed., *Nihon Teikoku Tōkeinenkan* (Japan's Annual Statistical Book).

Thus, the local public finances in the Meiji period carried the burden of providing public goods in critical areas, such as public engineering works and public education. One may regard it as a significant change by emphasizing the formalization of the local public finance system through institutional trial and error during the early Meiji period. However, we notice the substantial continuity of the revenue of local governments. This was heavily dependent on wealthy farmers, landowners, or local wealthy people paying local taxes, in addition to national taxes, such as the reformed “land tax.” The central government was further dependent on increasing indirect taxes, comprising brewery tax and consumption tax.

The system of imposing household tax (*kosūwari*, literally meaning “dividing among households”) provided prefectures around 20% of their tax revenue; the corresponding figure for city/town/village governments was 50% to 70%. Since the taxation was determined by the assembly of each local government, according to the estimation of income and asset holdings of each household, wealthy households tended to have a heavier tax burden. This resulted in a distribution of the tax burden that was rather similar to that during the late Tokugawa period, in spite of the formalization of local public finance.

Hoping to retain their social reputation, the wealthy still behaved as notables, responding to the expectations of the regional society. What was new in the Meiji era seems to have been the extension of the fields to which notables were required

to respond. Contribution to the public education system was an important one, but the field of regional business-based activities also rose to prominence. The following cases vividly show the diverse activities undertaken by local notables, along with the political centralization of the Meiji government.

*Region as a Motive for Activity*

The case of the Hamaguchi family, to which we have referred already as making a notable contribution to the construction of an embankment to protect against tsunamis, exemplifies the inclination toward regional business activities. The Hamaguchi family invested about half of its assets in enterprises other than its traditional family business of soy sauce brewing. Besides supporting a local shipping firm, Kisaka-Hikifunegumi, the Hamaguchi family moved its investment from relatively secure assets, such as national bonds and the stocks of already established national companies—Nihon Tetsudō (railroad) and Kanegafuchi Bōseki (cotton spinning)—to businesses that were connected with the Wakayama or Chiba prefecture, the home bases of the Hamaguchi family.<sup>11</sup> Out of their seventy-thousand-yen stock investment balance in 1900, close to half was invested in local enterprises, such as local banks (Arita Kigyō Bank and Busō Bank) and a steamship transportation firm (Chōshi Kisen).

This regionally inclined investment behavior can be generalized to some extent by considering cases from a database comprising 251 shareholders in the Niigata prefecture in 1901. By analyzing their shareholding, we distinguished two types of investors: the first type inclined to invest in established nationwide corporations, and the other investing in newly established and Niigata-based corporations with a relatively uncertain future. A wide range was observed in both types. Combining this with the information of shareholding patterns, we identify a specific type of shareholder who concentrated investment on Niigata corporations but did not participate in their management. This type of investor can be characterized as a “sponsor” type, in contrast to the entrepreneur or rentier types; they comprise almost 60% of shareholders and 30% of the investment portfolio (Tanimoto 1998). By combining this “sponsor” type behavior with the Hamaguchis’ investment activities, we can infer that investment in private firms were not solely a profit-pursuing activity for a certain number of the wealthy in those years.

Recalling that public goods were intrinsically undersupplied through market transactions due to their particular attributes, we can identify that the investment in these recently established enterprises shared characteristics with public goods in terms of being undersupplied through the existing capital market owing to the large uncertainty in expectation of profits because of their newness. Under these conditions, investing in local corporations was a new activity that was driven by a motivation similar to that behind the provision of public goods during the late Tokugawa period by the notables.



The diverse activities of Hachibei, the head of the Sekiguchi family, in the 1890s, who made his fortune with soy source brewing from the mid-Tokugawa era, exemplify the motivation of these local investors.<sup>12</sup> Besides starting new business activities, such as beer brewing, Worcestershire sauce production, brick manufacturing, and a water transportation company to conduct a billing and shipping business on the nearby Kasumigaura Lake, in the vicinity of the residential area of Edosaki (Hitachi province), the Sekiguchi family was involved in social and political activities. Hachibei became a chief of the league of villages in 1881, besides being a member of the committee for educational affairs of these villages. In 1883, he donated over one tan (approximately 0.1 hectare) of land and five hundred yen for the construction of a primary school in his area of operation. Moreover, Hachibei joined the Rikken Kaishintō (Constitutional Reform Party)—one of the major parties of the people's rights movement in the early Meiji period—and financially supported a party-affiliated magazine called *Jōsō Zasshi* (*Jōsō Magazine*) that was published in the Edosaki area. He himself wrote two short essays on social systems and customs in this magazine. Finally, Sekiguchi Hachibei was a candidate in the first House of Representative election of 1890 and was elected as the only representative from the sixth constituency of the Ibaragi prefecture.

It is, of course, quite normal for those involved in politics to be property owners. Max Weber, who argued the administration by notables as a type of legitimate domination, defined a notable as "the individual" who is able to "count on a certain level of provision from private sources" and is "free for political activity" (Weber 1968, 290). For Weber, business activities are seen as the economic foundation that enables people to behave as notables. However, in the case of the Sekiguchi family, both business and sociopolitical activities took off at the same time. Wealthy property holders in the early Meiji era did not seem to consider these two apparently different spheres of activities as strictly separate. If this is true, one can assume a common ground for their activities spanning both spheres.

Recalling the achievement of the Tokugawa regime in terms of the formation of regional society, we assume that acquiring a reputation as a notable in a regional society is a common motive for property owners, namely, notables. This assumption tallies with the fact that numerous examples exist of notables who were financially, as well as politically, committed to the introduction of railways to the region, or to the establishment of the branch of a government-run post office or telegraph station in the village or town during the late nineteenth century (Fujii 2005). Even if they were run on a business basis, which was more likely in the case of a private railroad corporation, they certainly provided critical infrastructure that connected their regional society to the nationwide transport and information system. Thus, the significant role of the regional society in public goods provision was based on the activities of notables acting in a wide range of social roles, such as that of a donor, taxpayer, entrepreneur, investor, and politician. In other words, the social order based on propertied persons characterized the nineteenth-century

transformation of the political structure, from the Tokugawa regime to the Meiji society; this social order accomplished the task of providing public goods in rural Japan.

For the sustainability and reproduction of their economic lives, ordinary people depend not only on goods and on services obtained through market activities, but also on public goods in a broad sense. When the rulers under the Tokugawa regime largely withdrew from the provision of public goods, the regional society that developed with the emergence of local notables complemented or even substituted the task. Although a modern fiscal state was established through the Meiji Restoration, the regional society that maintained its structure throughout the political reform process played significant roles in providing public goods, especially in the field of public welfare. They did so by way of institutionalizing the support of local public finance through taxation on property owners, that is, notables.

Moreover, the establishment of modern enterprises, as well as the infrastructure for transport and information, was supported financially, at least in part, by the wealthy, who dared to invest their monetary accumulation in the risky local corporations or nonprofit organizations as “sponsors.” In other words, these projects were undersupplied with necessary funds if they depended only on ordinary capital markets. Considering that public goods were also undersupplied through market transactions, it is not incorrect to say that investing in profit-making projects was similar to the provision of public goods in a specific historical context. Thus, the regional society itself functioned as a motive for the local notables, who played a significant role in providing public goods from the eighteenth century to the early twentieth century, that is, during the eras that saw the emergence of early modern and modern Japan.

We assume that a sense of responsibility toward the regional society led to this phenomenon. This sense would be rooted in the rather strong adherence of inhabitants, specifically the peasant households that constituted the largest proportion of the population, to the place where they managed their family farms. This particular behavior originated in the establishment of the *ie* system among peasant households around the turn of the eighteenth century; it represented the end of the age of reclamation that spanned the seventeenth century. According to Kizaemon Aruga, a leading sociologist in this field, the Japanese peasant family can be characterized as a stem-family with the custom of single inheritance of lineal male descendants. *Ie* was a family system well suited to a system that placed a high value on the succession of the *ie* as an independent unit (Aruga 1972). If the *ie*—rather than the individual or the nuclear family unit—became established as the subject of inheritance, a choice to sell land and to abandon farming could not be made by a single generation. As a result, the household gave first priority to

farming, suggesting strong adherence to the inherited land.<sup>13</sup> This argument can also be applied to landless tenants, if we recall the long-term stability of the relationship between landowners and tenants in modern Japan (Sakane 2011).

Thus, the *ie* system resulted in a geographically low mobile society in which people formed rather long-term and coherent relationships under the regional bond. A sense of loyalty to the region where most people would spend their entire lives would be fostered under these circumstances. The wealthy were prepared to make any contribution to the region in order to fulfill their responsibilities, and consistent “good” behavior on their part would result in a good reputation; this might represent an indispensable nonmonetary reward, namely, to be regarded as “notables” in a long-standing regional society whose composition remained more or less fixed. The adherence to their place of residence was a basic social condition underlying the workings of a regional society that undertook the public goods provision discussed in this chapter.

## NOTES

1. The range of the territory of the Tokugawa shogunate extended from the northeast to the southwest of the Japanese archipelago. The Hosokawa family ruled a territory named Higo (Kumamoto) region, which was worth three hundred thousand *koku* of rice and occupied most of the central Kyūshū Island, located in southwestern Japan.

2. See Tanimoto 2015 for the details.

3. Calculated by the financial data in Nagano 1980, 203–205.

4. *Ryō* was the unit of currency used in the Tokugawa period. Its value in the eighteenth century was approximately equal to one *koku* (unit of volume equivalent to 180 liters) of rice, except during years of bad harvest.

5. Kansei is the name of era that lasted from 1789 to 1801.

6. Information on construction of irrigation ponds is obtained from Yamazaki and Kitano 1955, 196–240.

7. The value was approximately equivalent to the price paid in 1830 by consumers in Edo for 2,500 *koku* (450 kiloliters) of polished rice.

8. In the Kumamoto domain, the head of a village union that comprised several villages played a significant role in activating civil engineering and construction works in the first half of the nineteenth century. Called *Sōjōya*, these heads had *hyakushō* (peasant) status and worked as civil engineers, as well as governors of regions.

9. Tanimoto (2018) gives a case study of Nishihokkeno village in the early nineteenth century. Although this calculation of proportion was based only on fragmented village level data, the representativeness of these results can be verified by the official estimation of land reform, carried out by Meiji government in the 1870s. This estimation set the village-level tax at one-third of the land tax when it calculated the official price of each plot of land through the capitalization method.

10. See Sawai and Tanimoto (2016), figure 3.9, for the details.

11. Hamaguchi's head family resided in Hiro Village in the Wakayama prefecture, and the family's soy sauce brewery business operated in Chōshi, a town in the Chiba prefecture (Shimosa province).

12. Historical facts concerning the Sekiguchi family are taken from Tanimoto 1996.

13. The fact that the number of farming households remained almost constant at around 5.5 million from the 1890s to the 1930s suggests that the assumption is valid (Namiki 1955).

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