

The mercantile response in the meiji period: Capital accumulation by merchants and the government's rejection of foreign capital

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Abstrak

This paper examines Japan's response to 'external pressure', mainly from Europe and the US, focussing on the 'mercantile response' by merchants and financiers. Before the beginning of free trade in 1859, many money exchange merchants in Osaka transacted with merchants and wealthy farmers from Hyogo to Kaizuka, along the coastal area of Osaka Bay. Despite the succession of bankruptcies in 1868, the financial market continued to function, and a number of the surviving exchange merchants established banks themselves. The Meiji government promoted the modernisation of the economy rejecting foreign capital, a situation unusual in international comparison. The government feared that, once foreign capital entered Japan, it would be difficult to prohibit interior trade by foreign merchants. Japan was able to achieve modern industrial development without foreign capital due to the industrial investment by merchants and financiers operating from the Edo period. However, financing from banks had a strict screening process, and few among the small- and medium-sized bourgeoisie were able to secure loans. The outcome of Japan's industrial revolution was thus a bi-polar economic structure, with giant capital on the one hand, and small businesses and farmers on the other.