

# Economic Thought and Public Welfare in Early Modern Japan:

## Dazai Shundai's Idea of Political Economy and Joheiso\*

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### Abstract:

Dazai Shundai (1680–1747) associated the problem of the interest in people's welfare by creating useful means for which they enriched their lives with institutionalization processes of political economy in the early eighteenth-century Japan. He meant that the purpose of public welfare—to cause stability and prosperity of the community and people's lives in general—was established as a part of practical learning, through institutionalization. This offered a practical approach to rationality.

Dazai linked “the road to public welfare by interests” with the management of the state and human relief. When he attempted to discuss the problem of the ‘the law of joheiso’ as an institutional framework, on the basis of the theme of public welfare of people by interest, his philosophy of political economy contained a systematic design for welfare and economy. This included the manner in which a solution that loses touch with private interests is able to adjust “the world and the nation” as external public interests.

However, Dazai's conclusion was unable to absorb in a unilateral manner the frame cost in order to advance institutionalization, and would overload public welfare. Before creating an institutional design, what can morality in the social climate constitute in the institutional performance among incentive structures? The activation, based on moral recognition, widely needed the foundation of the institutional design for public welfare and its spillover effect. In this sense, Dazai's image of humankind was that of an uncooperative situation, which was due to his belief that people were unable to be endogenous in their learning function.

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## I Introduction

Dazai Shundai (1680–1747) associated the

problem of the welfare of people by interest through creating useful means for which people enrich life with the institutionaliza-

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tion process of political economy in the early eighteenth century in Japan. He meant that purpose of public welfare—to lead to stability and prosperity of the community and of people's lives in general—was established by institutionalization as part of practical learning. This offered practical approach to rationality. It can be said that he was an organizer of rational recognition and ideas concerning the facilitation of public welfare.

The first socio-economic problem that Dazai discussed was the case of 'the world and the nation' failing in their pursuit of stability control due to contradictory individual interests. The second problem was whether people's acts were able to be prohibited, if their interests' priority had remained to be solved. The third was not limiting people's interests by the public good throughout the whole of the country. Namely, was his institutionalization of political economy as the learning of the state management for national governance able to achieve social stability through reasonably solving these matters? On the basis of the classical texts of Confucianism, Dazai considered 'the law of jo-heiso' (『常平倉ノ法』), in his *Keizai Roku* (『経済録』; Political Economy Note, 1729), as the main political and economic problem. The reason was that the theme of public welfare of people by interest with the institutionalization process meant the price policy aiming at the regulation of rice price by the Shogunate government directly.<sup>1)</sup>

Dazai's economic thought was easy to accomplish and included the following elements: — (1) a social policy for famine, and (2) derivative policies, including a business policy, an income distribution effect and a financial policy. The Edo bakufu was able to

collect rice in a good year (teki), to release it in a bad year (cho). In other words, the Edo bakufu, in view of the monetary economy, attempted to work economic policies uniformly and widely through 'the law of jo-heiso.'

The accomplishment of 'the law of jo-heiso' by Dazai tried to control economic fluctuations by price stabilization. In view of the public good, his economic problems with public welfare were related to social learning; the dilemma in 'the leveling of money and rice' overrode any 'emotions' in interests which were produced in the process of industrial acts in both sides of money and goods and services through the institutionalization of political economy. Accordingly, is a "bun" (part or unit of which society is composed) able to encourage new industry based on profits by efficient operation? Can it bring about the realization of "the road to public welfare by interests," that is to say, the realization of direction and method which can guide prosperity through life stability for people?

When Dazai, who linked "the road to public welfare by interests" with the management of the state and human relief, attempted to concretely discuss the problem of 'the law of joheiso' as an institutional framework; his philosophy of political economy contained a system design for welfare and economy. This included the way in which a solution that loses touch with private interests is able to adjust "the world and the nation" as external public interests.

## II The ‘Political Economy’ (「経済学」) of Dazai

### 1. Dazai’s ‘Political Economy’ Design

For Dazai, ‘political economy’ meant the universal control of the political and economic society of the world and the nation. It was nothing without state management and people relief with statesmanship. The original intention was to administrate the world and the nation, and save people (Dazai 1729, 394). The framework of ‘political economy’ was necessary to express an idea of ‘the art of solution and providing relief to people.’ ‘An institution establishment’ was planned to carry out this framework which can guide prosperity through life stability for people. In consequence, methods to ensure the fulfillment of people’s interests were executed according to ‘political economy,’ and attempts were made to increase people’s convenience.

Thus, Dazai’s political economy was the study and practice of providing a rich and stable life for people, by which ‘the world and the nation’ were controlled extensively. At the same time, in accordance with the sages and the Confucius text, the realization process of this social learning depended on changing uncooperative and uncertain emotions into a stable mechanism and a control method within the structure.

Concerning politics and economy, and the realization of ‘the art of solution, and providing relief to people’ through ‘the world and the nation,’ into which Sima Qian (ca. 145 or 135 BC–86 BC) had already gained insight,<sup>2)</sup> the role of political economy led directly to an arrangement on “the basis of standard, criterion, scale, rule, weights and measures” around the world too. Therefore,

through the investigation of the quantity control of the real economic sector (the department of goods and services and the balance adjustment process) with the monetary sector, ‘political economy’ in the narrow sense contained the framework for maintenance of stable life. In other words, its content was related to <1> the monetary and rice policy, and <2> the leveling prices plan. For Dazai, the role of “the scholar” in the political economy was to propose the rules based on “the way of the ancient kings”<sup>3)</sup> from both sides of the policies and the doctrines. It aimed for political and economic policies of the leaders of ‘the world and the nation’ in order to help their state management and people relief. This grew into economic policies for the stabilization of the public peace, and decreased any dilemma regarding ‘the world and the nation.’

However, when the theme of political economy was people’s disease of profit about the act of prioritizing people’s interests in any dilemma of ‘the leveling of money and rice,’ the standard of the ancient kings was to solve the contradiction on both sides—money and goods, and service. If “human minds do not think alike” in current affairs; in fact, if “human minds were similar” were misunderstood, (Dazai 1729, 397), how should society solve for this? Dazai believed that “a number of situations where the li of the ancient kings was inappropriate” would occur because “human minds were not the same.” The reason for this was that “the economy was different from the old days” (Dazai 1729, 411). In that sense, it was first necessary to consider “the profit and loss” of the institution based on the historical development of “political economy” in current af-

fairs. Furthermore, it was necessary for the method to derive ‘the increase and decrease’ of the institution in its design from “the economic dissimilarity” and “the system dissimilarity” beforehand (Dazai 1729, 397).

## 2. Four Elements With Which to Address ‘the Increase and Decrease in Institutions’ and ‘Political Economy’

When the historic development pattern was different with the case of long years “from ancient times to modern ages” and with the case of “this recent world,” the interests of four types of people (samurais, farmers, artisans, and merchants) collide, resulting in uncooperative behavior. According to Dazai, even if people knew that their cooperative behavior was a permanent public good as “the invariable principle” (Dazai 1729, 403), “the institution from ancient times to the modern age” still remained “the institution which brought poverty to four types of people” as long as people necessarily had “disease of profit.” The reason is that they prioritize interests. As long as “this world” is different from the economic world of ancient times, political economy is the process of learning about “increases and decreases in the institution.” It is necessary for this learning to decrease the interest caused by behavior that does not contribute to the public good, or to increase public good by the stimulation of cooperative behavior. “Profit and loss” cause by increases and decreases in institutions influences the public welfare and the public peace, which affect the potential to establish a stable life.

For these reasons, “scholars of political economy” are required to understand “the four essential elements.” These are:

- (1) “Time”: the period necessary for a change of event and system.
- (2) “Reason”: distinguished from “moral reason” which was the morality standard. It was rational under empirical rule, and became “natural reason” for the principle of political economy.
- (3) “Dynamics”: society does not always make progress like “Reason.” “Reason” is supplemented by “Dynamics,” because “Dynamics” unexpectedly develops at an accelerating rate.
- (4) “Emotions”: these include “likes and dislikes,” “joys and sorrows,” and “delight and melancholy.” All of which are human signs of positivity and negativity. “To resist emotions are against physics. Human’s minds do not obey it. Even if they did obey, the supremacy could not compel human activities” (Dazai 1729, 397–402).<sup>4)</sup>

If the state of affairs of feelings had been disregarded like in the Zhu Xi study, the requirement of the state management and people relief could not complete their pursuit of stability control due to contradictory individual interests (Dazai 1729, 402–03; 1735, 69, 71).

Human has the same aspect in the sense of expedience, the pursuit of which often leads to pursuit of the physical and spiritual private profit, regardless of whether one is wise or unwise. A samurai could restrain his desire for private profit temporarily by thinking about the public good. Dazai said, “Most samurais understood righteousness, and therefore had a tendency to protect the path to the public good. But, if they could never follow that path from the bottom of their

hearts, it was natural that they should break the laws and prohibitions as a result.” As long as a samurai is a member of society, it is impossible to prevent his pursuit of his own interests in the long term. Private interests are not connected with long term public interests. Thus, naturally, the appearance of people who “disobey the law” leads to the political economy structure of “today’s world” through failure to coordinate public interest owing to the uncooperative action of the people who pursue private interests (Dazai 1729, 402).

“The natural reason for all people” which tends to actualize their acquisitive attitude based on “emotions,” extends to ‘a competitive mind.’ When the existence of ‘a competitive mind’ brings about a worse condition, or when a person gains profits without sacrificing anything, each interest will not lead to a solution for the problems of ‘the world.’ According to the political economy of Dazai, “as long as human emotions do not always act based on a prudent idea with his feeling,” they cannot locate their activities in a social environment. Because people do not act on their emotions, they do not understand ‘the usual reason.’ Any evaluation from others’ standpoints and any effects of cooperation cannot be expected in such a situation (Dazai 1729, 403–04; 1732, 80). If there existed a presumption that people have thoughtfulness toward others and their feelings, ‘the usual reason’ based on ‘Time, Reason, Dynamics,’ and ‘Emotions,’ as approved by the private interests, would not be ignored. As a result political economy is able to grow. However, it is very difficult to solve this serious social and economic problem of mutually exclusive dichotomy in “this world.”

This would mean resolving ‘a competitive mind’ that tends to actualize their acquisitive attitude based on “emotions” and the entire problem of “the world” for the public benefit, if political economy that can offer the institutional design to achieve the public welfare as a frame obviously is not able to evaluate “profit or loss.” Therefore, it is also hard to achieve public welfare through state management and people relief.

### 3. Institutionalization of ‘the Road to Public Welfare by Interests’

How was ‘political economy’ able to institutionalize welfare as “the road to public welfare by interests”? Was the political economy of the state management and relief able to lead life to stability and prosperity? If interests which took root in emotions and feelings in the process of industry brought about stability and prosperity, how did they work through the increasing or decreasing rule of institution among various dilemmas of ‘the leveling of money and rice’ about the structure and the method that can be controlled?

Dazai’s methodological principle was necessary to confirm the institutionalization of political economy in which private interests are pursued in the interest of public, without any contradiction from the public welfare aspect that creates life stability, satisfying both of “the usual reason” based on ‘Time, Reason and Dynamics’ and “the mind of competition” rooted in the utilitarian calculus and the emotions. His system, which was based on Time, Reason, Dynamics and Emotions, began to constantly stabilize and enrich people’s lives. This was accomplished through the use of various resources reasonably by means of interests to arrive at the

public welfare through the policy of money and rice from the right business (Dazai 1729, 396, 488; *Shu Ching*, 'the great Emperor Yu').

Dazai said that for humankind to be natural it was necessary to study and learn benevolence, righteousness, li and wisdom, as well as sorrow, shame, modest mind, and the difference between right and wrong, owing to "an uncertain condition" in the utilitarian calculus and the emotion (Dazai 1732, 81–82; 1735, 72–74). Benevolence springs from the sorrow of the mind, and shame is the beginning of righteousness. People know a modest mind from li, and wisdom makes clear the difference between right and wrong. In that sense, "sorrow, shame, a modest mind, and the difference between right and wrong" are formed human virtues of "benevolence, righteousness, li and wisdom." For a person who has 'the mind of competition' as well as an uncooperative and primitive nature, the pursuit of the public welfare cannot lead to "benevolence, righteousness, li and wisdom" if the way of learning does not try to find out the principle that "righteousness controls business, and li holds the mind." In other words, mankind has to learn li righteousness in order to make "the public welfare by interests" as "the main path to humanity"<sup>5)</sup> toward kindness, respect, and sympathy for others. As previously stated, "the li righteousness of the ancient kings," was formed as "the basis of standard, criterion, scale, rule, weights and measures" (Dazai 1732, 76; 1735, 58–62, 69).

"The road to public welfare by interests" in "this world" cannot solve the dilemma between people's interests caused by "Emotion" in the process of the industry and "the level-

ing of money and rice." It was under "the similarity of old economy" that the relationship between interests and "the leveling of money and rice" stabilized (Dazai 1729, 503). As for the development of welfare, the art program to stabilize lives is enforced on the politics of money and rice and price leveling. Their programs are the purpose of institutionalization to decrease each advantage along with people's uncooperative behavior for the public interests, or increase the public interests to stimulate each advantage along with people's cooperative behavior, through "profit or loss" of the public welfare due to "the increase and decrease of the institution" (Dazai 1729, 397). Faith becomes a basic element in the network of human life, and people learn to enjoy continuous world stability based on the moral principles that govern the five central human relationships, by converging public welfare by interests with political economy.

Here "the road to public welfare by interests" has nearly become "political economy" which makes institutionalization as its nucleus. In other words, human who does not tend to cooperate others has to learn "the road to public welfare by interests" in order to master in himself li righteousness of the ancient kings. In addition, if talent corresponding to li righteousness extends, 'political economy' as the learning of the institution can be established by adjusting the public welfare in society with private profit and public profits. Even if interests advanced to be accumulated and the reciprocal profits are complicated, the public peace by the realization of "the solution and relief for people" and the peaceful way to the nation and the world will be joined together. In addition, "the road to pub-

lic welfare by interests” is subsumed in political economy (Dazai 1735, 61–62). Therefore, the direction and road where people are enriched by profits and industry cannot be explained by the art of mind, for example, by ‘the road to bodhi’ without seeking “the road to public welfare by interests.” Buddhism is not able to clarify the tendency toward prosperity. “The road to public welfare by interests is shut if industry is lost.” As a result, “neither Buddhism nor the monk can obtain a surplus.” Humankind’s “emotion” drives people to pursue pleasure and profit, and to avoid trouble and loss, under the exclusivity of “competition.” However, Buddhism can mend mankind by the mindset that treats only the part of “emotion” as a kind of abstract logic; therefore it cannot achieve concrete public welfare (Dazai 1732, 79–81; 1735, 69–70).

Dazai believed that one’s morality, virtue, and ideal mind could not be completely found in if one was not able to think about welfare by interests that could organize industry, or about political economy that could solve the dilemma of the society where contradictory interests were faced. In this sense, the Sung scholars who believed Chu Tzu and Ch’eng Tzu cannot play the role of the state management. The reason was according to the Zhu Xi study that they believed “the good reason by the treatment of mind more than the method of Buddhism”; Followers of the Zhu Xi study which obeyed the treatment of mind cannot provide relief for industry to extend welfare, and solve the contradiction generated between trade based on people’s interests and the world. As a result, the mechanism of causing an adjustment rule cannot beforehand expect an interaction in

this world. “The institution establishment” to be derivable of “the profit of public welfare for four people” cannot be built by adjusting the interests complication caused when the division of people labor is accumulated. Just like the method of Buddhism, the substance of Sung scholars who tried to approach mankind only from the method of mind was a harmful existence. In the Zhu Xi study, the public welfare and the contradiction of society were not able to be cleared by overlooking the sages’ road, in spite of the point in which those scholars tried to think about the public security of the world and the nation in Confucianism (Dazai 1729, 391; 1735, 65, 71).

If the four aforementioned elements were appropriate in situations like “the fixed rules” of the ancient kings, the idea of “the old institution” based on “the public welfare by interests” would be achieved. When very serious dilemmas arise in modern emotional situation such as “discriminating between right and wrong” and “the old institution,” ‘political economy’ and its subject (the political leader) deal with them (Dazai 1729, 405, 410–11, 503). The stage would lead to a macro disproportion that should be revolutionized, if these serious situations have still been left. Therefore, ‘the institution establishment’ was a positive institutional intervention under the political subject. Its guidance to “the profits of public welfare for people” by interests’ adjustment should positively be admitted to solve the contradiction of “this world” and to relieve people (Dazai 1729, 503, 506).

The four types of people including samurai always pursue a manner of “each profit” and “each convenience.” Therefore the unco-

operative action by interests ultimately fails to bring the public interests as 'the usual reason.' If it does so, the role of political economy is to do "reinstitutionalization" as a positive rule standard, in place of "old institution which all four people become poor" according to the essence of li righteousness of the ancient kings (Dazai 1729, 401–03, 411). According to Dazai, the main role of 'political economy' was to help the political leader (Dazai called him "the modern king").

Therefore, Dazai did not recognize 'a common moral and virtue' among people including the government, the region, and the inhabitants in his learning. He did not discuss about "the institution" which was approved by "public discussion" through the sharing of responsibility.

However, this institution system clearly did create "Trust," within the network of society, and the cost and convenience of the cooperation for 'a common moral and virtue' among people. No aspect of a series of mechanisms influenced public welfare for both "the public" and "the common."

According to the "the road to public welfare by interests" and political economy, Dazai's proposal over "the law of joheiso" was the most crucial approach to the rice market problem of the Edo era and the distribution problem among social classes. It caused to design the stabilization of people's livelihood through the politics of money and rice and through price levelling. He stressed the significance of "the law of joheiso" in the fifth book, 'Foods and Goods,' in *Keizai Roku*.

To these problems in market and distribution, Dazai did not believe that mankind mutually shared recognition and could create a framework of "the public welfare by inter-

ests" and "righteousness." Rather, he further made obvious the contradiction between "emotions" and the public welfare against the endogenous mechanism that was able to dissolve into human society. Dazai tried to solve the size and the uncertainty caused in the process of achievement of human mind and profit, and to control individual incentives from the institution by means of the li righteousness of the ancient kings. Dazai who fundamentally based his ideas on 'Time, Reason, Dynamics and Emotions,' believed that the stabilized ruling and its structure were 'the institution establishment' to stabilize people's lives. In order to realize the public welfare by the profits of money and rice, and to adjust best "cho-teki" of rice, the institutionalization of "cho-teki" represented the buying and selling of the rice saved in the warehouse as a customs, from 'trades' to induce the interests of "modern lives." That is to say, it was regarding the settlement of the dilemma between "emotions" in private profit and 'the levelling of money and rice' in public importance. Dazai requested "the law of joheiso," a structural mechanism and method by which this dilemma could be controlled through the introduction of institutional rule. He maintained that analyzing such an institutional mechanism was the main theme of political economy as the state management and people relief.

### III 'The Law of Joheiso' and 'the Allotment of Interests'

#### 1. The Joheiso and 'the Law of Joheiso in the Present World'

According to a report by Geng Shou-chang (耿壽昌), who was the Lord of Finance (大司農) during the Han dynasty, the joheiso



was a kind of public warehouse built in frontier districts. He said that the role of the joheiso was to collect rice in a good year (teki). The purchase of rice by the government raises its price, and the benefit of agriculture increased. In the case of a high price in a bad year (cho), rice was released, and the price decreased. People could get convenience by it (Kuroha 1980, 235). Changing the era and the place, in early modern Japan “the law of joheiso” or “johei” meant a policy aiming at the regulation of rice price or prices by the Edo bakufu or hans through collecting rice in a good year (teki), and releasing it in a bad year (cho). Incidentally han was the powerful feudal government organization by the name of Daimyo.

Why did Geng Shou-chang’s ‘law of joheiso’ have to be taken up as a problem of “the present”? (Dazai 1729, 506) In the great period of peace, the trading of necessities, goods and services and money caused smooth circulation for not only necessary food and clothing but also for many articles beyond the level of daily necessities. These were distributed as social profits. In periods of war or famine, as the rice supply was insufficient, people had difficulty acquiring rice with gold and silver. Therefore, because the exchange of rice for money was hard, unlike during peace-time, one could say that the value of gold and silver was less than the rice value. However, it was more remarkable before, and natural to respect gold and silver more than rice in an age of peace or at the opening of the Edo bakufu. As gold and silver provided a way to trade easily and immediately for rice or clothes, the opening of the Bakufu and the peaceful world brought gold and silver more than rice into esteem

(Dazai 1729, 488, 490–91).

Dazai pointed out four points regarding the meaning of the opening of the Edo bakufu (Dazai 1729, 502–07).

- ① ‘Toto fukuso’ or the gravitation of the population and commodities to the capital of the east, Edo. This brought about a high estimation of gold and silver, as circulation to solve congestion of the population and commodities in Edo and “the road to exchange and trade” came into existence.
- ② The accumulation of “the bun” (social classes or units of which society was composed). This occurred in the course of ① ‘Toto fukuso,’ and encouraged further the division of social labor.
- ③ The huge consumption market was produced by the congestion phenomena of the population and the commodities sent to Edo or other large cities. It dramatically changed people’s lifestyle like into that of “a kind of tourist.”<sup>6)</sup>
- ④ As “the people’s disease” spread widely, it was necessary to enforce “the linkage policy for interests.”

Consumption desire was built on a modern economic, social, and cultural base as “a lifestyle.” Therefore, neither the “diligence” and “industry” of the four types of people nor “the road to increase wealth and military power” was able to be made clear without comprehending the politics of money and rice and the price leveling which contained “the doctrine to promote interests.” That is, “the trouble against the present world” could

not be avoided from ① ‘Toto fukuso’ to ④ ‘the linkage policy for interests’ (Dazai 1729, 488–91).

## 2. “The Distribution of Interests” Axis and the Purchase/Release of Rice Axis (the Teki/Cho Axis)

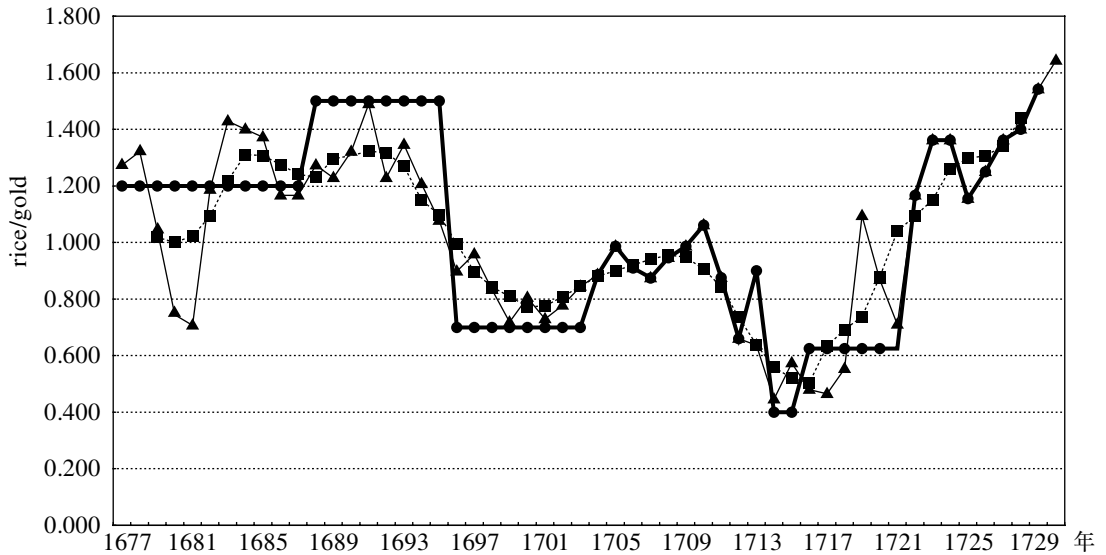
In the axis of “the distribution of interests” and the axis of trade, the profit pursuits according to “bun” among ‘farmers,’ ‘samurais,’ ‘artisans,’ and ‘merchants’ rapidly advanced. ‘Farmers’ were the class of people who produced rice. They paid the rice tax, disposed freely of the remainder of the tax, and obtained various articles from society. ‘Samurais’ were given an enfeoffment or a stipend by the lord or Daimyo. They were able to purchase by means of that money goods that ranged from necessities to luxurious articles. ‘Artisans’ were the class of people who produced manufactured goods. They exchanged them or their technique for necessities and luxurious articles. Finally ‘merchants’ were the class of people who distributed and sold various articles. They exchanged these for necessities and luxurious articles through many acts concerning distribution and circulation. However, with respect to the purchase/release of rice axis (the teki/cho axis), samurais and farmers in the part of teki and merchants and artisans in the part of cho had serious conflicting interests (Dazai 1729, 502).

“A sign of great peace was the cheap price of rice since ancient time.” “A sign of great peace was abundant rice, and the best time for people was when they had sufficient food and clothes.” Dazai said that such thoughts were wrong as far as “the distribution of interests” axis and the purchase and

release of rice axis (the teki/cho axis). In fact, he said that samurais and farmers suffered when the price of rice was too cheap. However, from the ancient age to the contemporary age, every convenience was possible to obtain through rice. The use of gold and silver was not frequent, as money exchange is in modern times. If the warehouses were full of rice, samurais and farmers would only not have suffered from the cheap price” (Dazai 1729, 502–03). That is, “the four types of people only accomplished all convenience by rice,” and “samurais and farmers did constantly receive harm” (ibid.).

However, the opening of the Edo bakufu in “this world” caused the following to occur: (1) ‘the gravitation of the population and commodities to the capital of the east,’ (2) the accumulation of ‘the bun,’ (3) the change in people’s lifestyle into that of “a kind of tourist,” and (4) “the people’s disease” and “the linkage policy for interests.” This led to the situation in which “samurais were delighted at the high rice price. Conversely, they worried about the low rice price in order to perform all convenience by the use of gold and silver in the present time. Therefore, the present time was not same as the ancient one in politics” (Dazai 1729, 503). Concerning Dazai’s vision of joheiso, his intention in *Keizai Roku* was easily observed from his description of rice price. Namely, the price movement in public warehouses in the Bakufu had the same sense as a basic standard price to exchange rice into tax and stipend<sup>7)</sup> (Dazai 1729, 504).

According to Figure 1, from the late period of the fifth shogun, Tokugawa Tsunayoshi (1696), to the early period of the eighth shogun, Tokugawa Yoshimune



**Fig.1** The basic price of rice in the price per 1 ryu (the formal unit of the shogunate system's gold coin), and the rice price description in *Keizai Roku*<sup>8)</sup>

(1721), for 25 years, this period was normal, as Dazai said: the rice price was high, and the gold coin price was low (Dazai 1729, 504). However, by 1729, the year when *Keizai Roku* was written, this tendency had obviously changed, as the gold coin price was high and the rice price was low (Dazai 1729, 504–06). A progression occurred as follows:

Rice price rises. → Samurais' income increase. → Samurais have a small propensity to save, because of "their small saving tendency of gold and silver." → Their consumption increased, as "samurais were the class that did not pay attention to interests well." → The demand for merchants and artisans increased. Since the desire of merchants and artisans for rice was very great, their spending on "food" did not increase very much. → Due to the demand of samurais and farmers, merchants and artisans could increase their income. This then led to the delight of merchants and artisans (Dazai 1729, 503). In other words, in the ancient

times, as (1) 'the gravitation of the population and commodities to the capital of the east,' (2) the accumulation of 'the bun,' and (3) the change in people's lifestyle into that of "a kind of tourist" were not a concern, the linkage of rice price did not closely relate with four types of people's incomes and the monetary rice price very much. Even if samurais' income then increased, their propensity to consume did not have an importance for "the road to public welfare by interests." As the axis of trade and "bun" was less important than the teki/cho axis like in the present, the purchase power of samurais and farmers was not critical for "the road of industry" in merchants and artisans (Dazai 1729, 505–06).

As "this world" was able to provide all conveniences through the use of gold and silver, the rice price rose. Samurais' income increased in terms of gold and silver, which delighted them. This yielded more expenditures, causing not only the first effect of in-

creasing their consumption, but also the entire people's income increase and economy extension via the teki increase sum of merchants and artisans from samurais' and farmers' activity. Namely, this led to an income increase for merchants and artisans, which in turn led to the delight of merchants and artisans. → There was a consumption expansion for merchants and artisans. → The large effects of derivation by the public peace stabilization of four types of people based on public welfare in the present time brought the structure of "the delight of all four people."

As the price of rice increased, of course, merchants and artisans also suffered a serious blow. However, according to Dazai, it was assumed that they consumed products not to purchase wants from samurais and farmers, or easily acquired substitute necessities except rice. That is to say, if expenditure of samurais' only increased, or if there was any condition without a linkage of rice price to the price level of other goods, such a derivation effect did not produce good results.

Dazai stressed the fact that the growth of purchasing power among samurais and farmers, who were located in the cho axis, had generated an effective demand increase for merchants and artisans, and then had stabilized the public peace and extended to "people's public welfare by interests." His point went beyond the samurais' income increase of gold and silver to the rise of the rice price. Surely the cheaper the price of rice was, the smaller individual expense was, and people benefited from "interest." Yet, the entire purchasing power decreased, and as a result, "all four types of people were remarkably poor,

compared with the ancient times. "The road to public welfare by interests" was thought of the dilemma in "the world" of the bakuhan system. The framework of the purchasing power of samurais and farmers was dependent on the teki and cho axis, and this axis was critically negative against the public peace because of unstable class distribution by the trade axis in the present time. The doctrines of Zhu Xi had a difficult problem as "people's minds dissimilarity" to solve about the relationship between "the road to public welfare by interests" and "interest." On the contrary, Dazai's introduction of 'the law of joheiso,' which took the place of "the system from which the four classes suffered, stabilized "the road to public welfare by interests" and "the world," adjusting individual "interest" and "national interest" (Dazai 1729, 502–08).

### 3. The Significance of "the Law of Joheiso"

According to Dazai, "the disease of this world" on the trade axis and the teki/cho axis, which was produced by the opening of the Edo bakufu, was expected to be cured and to bring about an effect of public peace through 'the law of joheiso' regarding (1) the gravitation of the population and the commodities to the eastern capital, (2) the accumulation of "the bun," and (3) the change of people's lifestyle to that of "a kind of tourist." Namely, this policy corresponded to the effects of emergency and preliminary performance just like "the national project." Concerning (4) "people's interest disease," Dazai suggested that 'the law of joheiso' was able to design "the linkage policy for interests" through the teki/cho rice policy in order

to drive to reasonable price, and guide economic fluctuations' stabilization as well as the harmony of distributing public welfare by interests.

If the function in the account magistrate's offices was able to prevent the asymmetry of information and the monopoly, and to expect the control to the trade and the evasion of bounded rationality, the government might be possible to think practical measures to public peace and public welfare. Dazai's idea was based on "people's interests disease," avoiding to make desperate efforts in individual uncooperative interests, according to incentive design by the increase and decrease of the institution concerning the public working joheiso (Dazai 1729, 506–07).

#### 4. Effects of Cost–Benefit of the Joheiso System

'The law of joheiso,' through "the increase and decrease of the institution" by 'the linkage for interests,'<sup>9)</sup> could expect the economic stabilization of society to use the relation of the stock to the demand for Edo. Therefore, the price effect of rice guidance, and the influence of demand stimulation to rice supply restriction, extended to the business and distribution through the function of the effective demand creation.<sup>10)</sup>

It was important for the relationship between land transportation or sea transportation, or the opportunity income of reserved demand by local warehouses to be taken into consideration. It was obvious that the system of 'the law of joheiso' was expected to have synergic effects on public welfare and the increase and decrease of the institution for righteousness. That is to say, when complications of social interests under the social divi-

sion accumulation of people were caused, 'the institution establishment' intended to guide "people's public welfare." This also can define a frame of the institution as a positive public policy involving financial cost to stabilize the public peace for "the solution and relief for people." Further, the institutionalization of political economy was culturally and economically guided by 'the road of the ancient kings,' against natural human-kind as atomic reaction. This was the institution avoiding "the system from which the four classes suffered" against "the road to public welfare by interests." Naturally, the public welfare problem of political economy increased the urgency of the world and countries, along with the assistance policy to the Bakufu and the system of the Daimyo's alternate-year residence in Edo.

However, at the same time, the institutional design of "the law of joheiso" in "the nation and the county" (in the centralized governance structure), was not an object of consideration for the supply condition. It intended to be both the public works side for securing the effective demand and the public peace side. *Johei Mondo* (Johei Questions and Answers) concerned the following: (i) rice husk saving, rice refilling, waste of long-stored rice, paddy and an old rice annulment; (ii) the price relationship between crops like rice, Japanese millet, and foxtail millet; (iii) construction cost of grain stores, and the number of and expenses for stock maintenance; (iv) transportation and shipping fees; (v) husks or unpolished rice; (vi) the brown rice or the paddy, the rice damage of quality degradation, and the loss by rots. It also concerned the operation and maintenance of "the law of joheiso" system, cost–benefits on the

frame that maintained this system, such as the collection of funds through the disposal of rice, were very important too (unidentified, 421–26).

As for the size of the asymmetry of information and its sensitivity, Yamagata Bando (1748–1821), who paid attention to “blood flow,” stressed the institutional significance of the smooth distribution of market than joheiso from the standpoint of marine transport and land transport and the knowledge of the world. According to Yamagata, institutions like ‘the law of joheiso’ that controlled smooth blood flow were simply “useless laws” in view of “nature.”<sup>11)</sup>

#### IV Dazai’s Remaining Problem in His Institution Framework

The more positively institutionalization was promoted, the larger the costs and expenses were. As a result, a return decrease was caused, and the policy expectation at first produced unfavourable side effects. Moreover, if this structural rule making is too expensive as a policy cost and “the linkage for interests” is stressed in the framework, the attainment of the opportunity for the four classes to cooperate will fail, and people’s morals may decrease remarkably. Since human beings were dominated by utility and “emotions,” institutionalization by means of li righteousness of the ancient kings was required to fill the gap between individual interests and long term public good, outside of public welfare. On the one hand, the law of joheiso was able to perform an adjustment of lifestyle; on the other hand, it was able to materialize stable human activity and the governance of the world and the nation. However, is the institutional mechanism de-

sign able to coexist with the public welfare as the convenience cost if it shuts out natural mankind? The problem depends on the relationship between human beings and organization, between the establishment of lifestyle and custom, and between the symmetry of knowledge to the advantages and disadvantages to social welfare.

Even if Dazai’s political discussion of state management and relief were performed favorably, ‘joheiso’ as a rule was not able to cope with the region in where rice did not easily circulate in the market. As he said, a region in where the teki/cho axis cannot be set up tries to create balance by sending or producing the staple product to a favorable market. To make a system of comparative advantage using the gap of regional differences, a minimum safety net that people in such regions also could secure as their life maintenance (industries) was much needed, unlike ‘the joheiso.’

The dependence of the linkage policy for interests and of the monopoly system on ‘the urgent state,’ in the part of which Dazai in his later years described in *Keizai Roku Shui* (c. 1740s), was not likely to guide “interests” extension based on institutionalization that could be secured of “public welfare for people.” As a confrontation over the promotion policy of industry and the monopoly system failed to stabilize the local society, the direction that further advanced the linkage policy for the interests’ theory increased. How can any framework that is built as an incentive design be made into an institution, or how can it lead to state management and relief from “the road to public welfare by profits”? That is to say, various parts of the joheiso doctrine were needed to clarify the problem

of public welfare and political economy, when private interests were separated from the public good, or when it was recognized contradictory in view of “the world and the nation.” When a han (a feudal domain) economy in the regions fell into crisis and famine, the aspect of ‘basic life base’ including social systems and economic measure to encourage new industry, (that is, an aspect of “Konei” when people were stable, so the country also was stabilized) was necessary to sustain the development of the region’s society.

However, Dazai assumed the situation surrounding the utilitarian man, who was uncooperative and was the pursuit of the physical and spiritual private profit. The reason was that human beings did not have the learning function in their early step but tended to actualize their acquisitive attitude based on “emotions” and ‘a competitive mind.’ If the learning function can be endowed from mankind’s cognitive faculty by self-learning oppositely, the cooperative game becomes possible. In doing so, even if the institution that needs a large-scale policy cost was not established by the li of the ancient kings, social consciousness among human beings yields “the formation of the institution.” Thus, Dazai left the problem of the fundamental base of “the law of joheiso” to institutionalization. The further clarification of institutional commonality was associated with community stability. Regarding this problem left by Dazai, Nakai Chikuzan (1730–1804), who was the fourth principal of the Kaitokudo School, an academy in Osaka established in 1724 in the Kyoho Reforms, discussed this problem as a member of the anti-Sorai school (that is to say, an an-

ti-Shundai).

## V Conclusion

How did drives advance the framework, or how was results produced, in the new system formation of early modern Japan? Whether the combination of the ends and means was effective or not, this dilemma related to the institutional design always actualized as the comparative economic thought in the new social stage.

As this paper has discussed, the direction of Dazai’s economic society stabilization diverged from the relation between the favorable behavior of “interests” and the public benefits. He tried to deal with economic thought regarding public welfare as the solution of “the road of the ancient kings” for “the mind of competition” (“interests”) by linking public peace with the world and the nation. This meant that, when any gap between the favorable behavior of “interests” and the public benefit itself was recognized as a kind of contradiction, the frame that was built in the incentive design was introduced as an institution.

Nevertheless Dazai’s conclusion was not able to absorb the frame cost in order to advance institutionalization in a unilateral way, and would bring overload to public welfare. Before creating an institutional design, what can morality in the social climate constitute in the institution performance among incentive structures?

Speaking conversely, individual consciousness of morality and the network through learning and study preceded the institutional framework. The activation under knowledge and enterprises based on moral recognition widely formed the foundation of

the institutional design for public welfare and its spillover effect. Dazai's image of humankind was that of an uncooperative situation due to his belief that people were not able to be endogenous for their learning function.

If the learning function can be endowed from humans' cognitive capacity for self-learning, and if mutual virtues as morality pressure individual units of society, the endogenous institution formation among humans cannot only agree on the Bakufu or the han, but also on humankind, among their understandings from self-learning to the shared knowledge. If the institutional formation among humankind does not have any illogical action of utilitarian affection, their common consciousness develops the same important sense of responsibility to the institution and the public. It means to create the cooperated game by repetition, which people approves, even if the institution which needed a large-scale policy cost was not established by li of the ancient kings.

If the moral that "Trust" keeps is not universal righteousness but a specific strategic righteousness as set out by the ancient kings, this "righteousness" is not the basis that stably supports "interests" in order to bring a pattern of development in the national interests. The specific strategic institutionalization does not become a reliance on a common institution, but rather causes gradually increasing costs, without being able to prescribe the effect of an institution. It will be difficult to maintain the institution framework. That was the reason why social and cultural consciousness, mutual understanding, and the institutional relationship between individual subjects based their verifi-

cation in the same cognitive knowledge. In this sense, Najita (1972) stressed that Dazai "explored the limits of that logic and took it to a point where it can be extracted from its Confucian wrappings and assume a life of its own as a method of political and economic analysis" (Najita 1972, 839). However, during early modern Japan, I would like to assess Dazai's more advanced level and reformation of his economic thought and public welfare than Najita's comment concerning Dazai's logic and analysis on political economy.

As for Dazai's economic thought and public welfare, when the private interests activity separated from public good (that is to say, when it was contradictory as an externality in view of "the world and the nation"); his political economy on the doctrine of johoiseo was needed how a framework that was built in the incentive design should be set as an institution. Its theme finally resolved "the road to public welfare by profits" into state management and people relief. On the other hand, based on the explanation of "Konei" from the viewpoint of public welfare, it is possible to include the social system and the economic policy, and to encourage new industry. This meant that an aspect of "Konei" had to sustain the development of the region's society, because Konei existed, when people were stable, and therefore the country was also stabilized as a long term reliability level by the cooperative game of the repetition and a stubborn mechanism from the viewpoint of "the formation of the institution."

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## Notes

- 1) Najita (1972) grasped the meaning of *Keizai Roku* in a broader effort to re-evaluate the development of political thought in Tokugawa society. He ranked Dazai among the Tokugawa thinkers as more systematic than “most writers of his time.” On the one hand Dazai succeeded to the “Legalist” thought of Ogyu Sorai, while on the other hand he produced “his thoughts almost exclusively on the problem of current politics,” exceeding his master, “Ogyu’s logic of ancient studies beyond agrarianism and status quo economics.” Najita assumed *Keizai Roku* to be the intellectual formulation of “political economism” as an important set of events in the political and social history of early eighteenth century Japan, avoiding “the hedonistic attractions of aesthetics and philology” like Ogyu (Najita 1972, 821–23). However, in the macro-economic thought of Japan, by what definition should Dazai’s thought be ranked as political economy? It appears that Najita (1972) did not seem enough research. The joheiso problem served as a keystone of economic policy in the Edo era, including the economy of institutionalization, the economic role of “emotions” and “usual reason” based on “Time, Reason and Dynamics,” and the solution of any dilemma of “interests” in the process of the industry and the stability of the commonwealth. These political economy problems identified by Dazai are remarkable in even modern economic thought.
- 2) Sima Qian, who stressed the significance of political economy, had his own idea of the leveling of prices. This, not only included national expenditure accompanied by the establishment of the Han empire, which involved managing expenses against Xiongnu and the Southern Barbarians, but also the danger of increase national defence expenditure (Sima, c. BC91, and Japanese translation, 213–34). As transport by land or by sea to frontier districts was difficult and people were uncooperative due to their own self-regard, through the utilitarian system, by sales for the government posts and the official position, the monopoly system, the monopoly of salt and iron, the disregard of agriculture, and the abuse of the money issue right and so on, such economy related to aspects how these upsets brought the distortion to economic policy and “Customs” for the logistics securing.
- 3) The ancient kings, who taught people morals, and made various institutions, based on “the way of the ancient kings,” discovered ‘li,’ which guided people to political economy. The concept of ‘li’ loosely means generally to translate ritual, rites, ceremony, decorum, (rules of) propriety, good form and good manners in English. “The way of the ancient kings” was thought to include the great kings and emperors (Yao, Shun, Yu, Shang Tang, Wen of Zhou and Wu of Zhou) in ancient China.
- 4) In *Seigaku Mondo* (A Dialogue of Sages Learning), Dazai discussed his viewpoint of the ethical aspect. “Jun [Dazai] thought that humankind changed their attitude entirely from their right or wrong mind, and that next they would seek after their will or choice mind.” To try to avoid harm done to oneself and to obtain profit for oneself goals. Almost all people have these intentions, whether they are wise or small-minded. To go, to leave or follow, to avoid, to accede and to leave, almost all things belong to such kinds. To pursue interests, avoid harm, and rid oneself of displeasure and seek pleasure, all are in the mind of choosing or adopting (Dazai 1732, 81).
- 5) “The main way to humanity” as defined by Dazai showed that the foundation of human morality originated from human duties and moral principles (Dazai 1732, 76; 1735,

- 58, 59, 62, 69).
- 6) People's lifestyles were dramatically changed into that of "a kind of tourist." This expression was based on *Seidan* by Ogyu Sorai. "Most samurai were on the boundary line of tour, because they lived in a world without institutions, . . ." (Ogyu 1727, 317). Ogyu did not, however, have a consciousness of being the development of "profit and loss" by the design of "the increase and decrease in institutions" based on political economy. In that sense, there was a paradox between his 'self-interest' view and 'the world' view about wealth in Kumazawa Banzan (1619–1691). In spite of "wasted rice" in a good year, Kumazawa said that if samurais and farmers went under, as a result artisans and merchants suffered. This was the poor state of the economy in the world (Kumazawa 1686, 416). Kumazawa tried to solve the contradiction in wealth owing to agro-industrial developments which centered new rice fields. On the other hand, Dazai determined to adjust the "promotion of public welfare" of the four types of people to balance between "interest" and "public peace." "Luxury in general" and "waste rice" was also different in their social and economic views.
  - 7) The basic price of exchanging rice into tax and stipend in the Bakufu was called "the poster notice price." This notice price, which was the average of Nippon-bashi price and warehouse price in the Bakufu and was the representative rice standard in Edo, was determined by the account magistrate's office. It was also for the standard price to bid merchants for the stipend of vassals of the Tokugawa shogun.
  - 8) Triangular marks in the solid line are "the poster notice price." Square marks are the average for five years concerning the poster notice price. The net multiplication diamond marks show a gold coin price of 100 straw bags (35 Koku) which Dazai recorded, through the rice volume in the price per gold ryou. See Dazai (1729, 504); Kyuji Shimonkai Hen (1986, 68–70, 308); Koda Shigetomo (1934); Iwahashi Masaru (1986).
  - 9) Refer to Honjo (1972, 99–101) regarding the classification of the adjustment means in rice price by the Bakufu. Decree papers from 1724 to 1735 dealt with cases that were made clear in *Keizai Roku* (Ministry of Finance 1883, 138–39).
  - 10) It was common among the intellectuals in the Edo period including Dazai, to adhere to the relation between the quantity adjustment and the price in rice. For instance, as Ashi Tozan (1696–1776) said, "The base of nation is in people. The life foundation of people is in agriculture. Namely, industry for the four classes in the modern age is finally on agriculture" (Ashi 1754, 466). Stabilization in the quantity of rice and the distribution stabilization of the rice price are not irrelevant to the belief that supports the main economic base of the nation and the region.
  - 11) That Yamagata told as "the useless law" about the joheiso was from the reason that it could not urgently correspond even if "bad year" appeared. The reason was that rice was not able to prepare immediately the supply in spite of the relief for people in "bad year." "The theory of the government policy discussed only the savings of the nation" (Yamagata 1813, 371–72). The joheiso was not able to accomplish the role of the government, adjusting "interests" to increase public profits. However his opinion was in views of "nature" in Osaka, where concentration was able to realize every land and sea transportation from every direction and the interest of finance. Neither the joheiso system nor the "blood flow" system are very effective, if industrial conditions are worse than those in Osaka, or if the place cannot fully maintain the circulation due to "traffic

inconvenience" ("The interruption theory"; Kami c. 1840, 559–63). According to Ashi and Kami, it is more important to create a market and a society in which both the "blood flow" system and the government can be activated for the state management and people relief.

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