

Economic Effects of the Meiji Restoration

The Meiji Era leaders sought economic development as a way to strengthen Japan, but circumstances allowed them very little policy choice. The first problem to be solved was financing the national government budget. In 1871 the national government in Tokyo assumed the debts of the areas that accepted its rule. The national government also assumed responsibility for the stipends¹ paid to the samurai. The samurai lost its source of livelihood in the land reforms and the creation of the conscription army of commoners. Although the revolution was called a restoration of the Emperor, it was at its core an overthrow of the seven hundred-year rule by the warrior class. The samurai warriors accepted their displacement in return for a stipend. The total magnitude of the samurai stipend was enormous and required one third of the revenue of the national government. Under this burden the national government substituted fixed interest bonds² for the stipends. Later, with the excessive creation of money, prices went up and the real value of the samurai's bonds declined. The inflation³ benefited the farmers whose land tax was at fixed monetary levels. They gained at the expense of the samurai and the city dwellers. Samurai rebellions in such places as Satsuma led to the creation of money to finance the suppression of these rebellions, which in turn led to inflation and a decline in the real income of the samurai and more dissatisfaction among the samurai.

In the economic arena, the new government energized trends that had been established in the late Tokugawa period, which had begun to see a breakdown of the feudal system. As Japan developed commercially and industrially, there was an exodus from the rural areas to the cities.

The national government tried at first to create government industry to produce particular products or services. The lack of funds forced the government to turn these industries over to private business that in return for special privileges would accommodate the government's goals. This was the origin of the *zaibatsu*⁴ system. An example of this is the rise of Mitsubishi. A semi-government shipping company was reluctant to send its ships into military zones to provide troop transport. Mitsubishi provided troop transport for the national government's military expeditions and in return received the ships from the bankrupt semi-government shipping line. Mitsubishi was granted special privileges that enabled it to prosper and grow.

¹ Stipend—a sum of money allotted on a regular basis; usually for some specific purpose

² Bond—a certificate of debt (usually interest-bearing or discounted) that is issued by a government or corporation in order to raise money

³ inflation—An increase in the general price level of goods and services; alternatively, a decrease in the purchasing power of the dollar (or currency)

⁴ Zaibatsu = is a Japanese term meaning "money clique" or conglomerate; Huge industrial combines created in Japan in the 1890s as part of the process of industrialization