

New Liberalism and Neoliberalism in Non Neoliberal Japan before 1980s

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Abstract

Nishizawa and Ikeda examine a historical and intellectual background of the shift towards neoliberal policy making in Japan. This is complementary to Teranishi's chapter on market-disciplining policy of Koizumi reform in 2001-6. Neoliberal economic thinking was getting to be on the surface from 1980s and explicitly in 1990s. The paper shows how new liberalism, social liberalism, liberal idealism, and neoliberal economic thinking were actually like under the prewar state capitalism and primarily liberal developmental lines in postwar Japan. In prewar period there were quite a few people who explicitly proposed new liberalism (like Ishibashi Tanzan, Ueda Tejiro), and more interventional new (social) liberalism and liberal idealism preparing the way for postwar welfare economic thinking (like Fukuda Tokuzo and Kawai Eijiro); and also a unique neoliberal economist who opposed collectivism and the welfare state through his life (like Yamamoto Katsuichi), who survived the war. The paper also refers to how some business people and business organization and a sort of think tank were in the shadow of Hayek and Friedman. Finally people like Nishiyama Chiaki, who studied with Hayek in 1950s and a member of Mont Perelin Society, diffused Hayekian ideas in Japan.

1. Introduction

The paper aims to explore and examine a historical and intellectual background of the shift towards neoliberal policy making in Japan, which was emerging and came to the surface in 1980s and became much more explicit after 1990s followed by the Koizumi reform in 2001-6 (of the Liberal Democratic Party, LDP). Until its turn towards neoliberalism, Japan's economic and welfare thinking was primarily developing along new liberal, social democratic and developmental lines. The explicit shift to the free market economy (discipline) and neoliberalism in Japan came forth in 1990s after the development of Thatcherism in Britain and Reganomics in US; around then Japanese economy and the so-called 'Japanese

systems' became stagnant and came to be deadlocked, also the so-called 'bubble economy' collapsed. The Hayek studies were gradually getting afoot from 1970s, seriously in 1980s, and steadily after 1990s. However, the focus on the developmental state and Japan's allegedly illiberal variety of capitalism as well as the strong Marxist traditions had obscured the existing liberal and neoliberal traditions in Japanese economic thought, which dates back to the days between the wars. Liberalism and neoliberalism in particular remained under radar so to speak until 1970s, when new economic debate surfaced under the globalization of neoliberalism and the review and reverse of the welfare state.

Japan's prewar intellectual landscape was strongly shaped by the German historical school, Marxism and ideas of state capitalism and controlled economy, which supported the image of a non-liberal variety of capitalism and economic thinking. However, quite a few well-known liberal, new liberal economists and businessmen, and also a very few neoliberal or right-wing liberal economists were present at Japanese economic institutions between the wars. In the war times Marxism and liberalism were suppressed by Fascism, but after the wars they revived, getting stronger and developed in various ways. Among the eminent academic economists who greatly contributed to the postwar recovery and policy making were the Marxists like Ouchi Hyoe, Arisawa Hiromi, and the liberals like Nakayama Ichiro, Tohata Seiichi and Tsuru Shigeto (the latter three studied with Schumpeter).

During the American occupation and because of the turn towards the Cold War, liberal frameworks moved to the center stage of the national debate. Japanese Liberal Party was founded, merged with Democratic Party, and Liberal Democratic Party (LDP) came to power in 1955, only briefly interrupted by Socialist Party government. So-called 1955 regime was founded and it was supposed to be the two party system with LDP and Socialist Party (based on Marxism), which was very different from West Germany and UK. Then the third Democratic Socialist Party (close to the Western social democracy) dissolved in 1959; since 1955 LDP was kept in power for 38 years until 1993, which was quite unique in the developed countries¹.

The Japanese version of developmental state capitalism under strong American influence in postwar period focused on democratization, modernization, economic growth, income doubling policy and social welfare; postwar institutional

¹ Since then interrupted twice, first by Murayama (Socialist Party) coalition government in 1994-98, then by new Democratic Party in 2009-12.

development related to the Japanese regime of economic growth and welfare was primarily influenced and driven by new and social liberalism, social democracy, Keynesianism, and to a certain extent by Marxism. The welfare policy was actually promoted by LDP, but driven by the social democratic powers, whose roots date back to the prewar period. In fact, when the Advisory Board of Social Security System (that was to play crucial role in the making of welfare system) was founded in 1949 by means of the so-called 'Wandel Report' of the American Social Security Research Mission of 1947, a well-known Marxist Ouchi Hyoe was appointed to the president. The Advisory Board made its Recommendations in 1950, which was called the 'Beveridge Plan' in Japan².

Intellectually, neoliberalism in opposition to socialism, collectivism, first received apparent attention in Japan in 1974 when Hayek got the Nobel prize in economics. The international rise of neoliberalism reinforced existing pockets of neoliberal thought in academia and in the business world, and led to a rapid catching up process in Japan in this aspect. Nishiyama Chiaki's long interviews with Hayek on Neoliberalism (it was called New liberalism [Shin-jiyushugi] in Japan) was published in 1976³; Yamamoto Katsuichi's book called *Fukushikokka Bokoku-ron* (*The Welfare State Decays the Nation. Limits of Welfare in Free Society*) appeared in 1975⁴. This chapter will track and trace the different streams of liberal intellectual thought in Japan in order to shed more light on the catch up process of neoliberal intellectuals in particular who arguably came to occupy strong positions for the first time in 1990s.

² *Twenty Years of the Advisory Board of Social Security System* (Shakaihoshoseido Shingikai 20nen no Ayumi), 3. Ouchi Hyoe, *50 Years in Economics*, Tokyo U.P., 1970, 410-12. In fact, immediately after the war in 1946, a Social Security Study Group was set up by several academic people and drew up "Plan for Social Security", which reflected a strong impact from *Beveridge Report*. Another thing is an Enquiry into Social Insurance was set up in the Welfare Ministry in 1946, whose sub-committee consisted of the same four academic people of the above Social Security Study Group; among them Kondo Bunji was a member of the Advisory Board. Enquiry drew up "Outline of Social Security System", which followed the basic ideas of *Beveridge Report* (For these Study Group and Enquiry, Tamai, K., *Creation of the Destitution Prevention* (Bohin no Sozo), Keibunsha, 1992, 300-6.

³ Around 1974 when Hayek got the Nobel Prize, he has been to Japan sometimes. Hayek drafted the Nobel Prize memorial lecture in Izu (a resort place not far from Tokyo) in the autumn 1974. Nakayama Ichiro was instrumental to generate a book based on the interviews by Nishiyama with Hayek in 1976, mainly because of the strong interest of the newspapers; the interviews first appeared in three newspapers. The book appeared in 1976 as F.A. Hayek: *What is Neoliberalism* (Shinjiyushugi toha nanika), ed. by Nishiyama, Tokyoshinbun Press, 1976.

⁴ It was published from the Hoken-fukushi-kaihatsu-kenkyu-zaidan (Research Foundation for Insurance, Welfare Development). Below in this paper, Yamamoto 1975.

The major development of the postwar era was the recovery of liberalism, Marxism and the rise of Keynesianism, new liberalism and social democracy in Japan's economic thinking, which were the background-intellectual driving forces of economic development and welfare policy making. For welfare policy, the universal national insurance and national pension system started in 1961 (minimum wages act was in 1959), which was the culmination of the Recommendations of 1950 by the Advisory Board of Social Security System chaired by Ouchi. It was to give shape to the article 25 of the present Japanese constitution (1946) states that 'all Japanese people have the right to a minimum healthy and cultural life'. The policy was actually promoted by LDP, in fact its programme wrote clearly of 'the fulfillment of the welfare state'. It went on along with the income doubling policy and high-speed economic growth led by the Governments of Kishi and Ikeda. Some further development was kept on after 1973, so called 'the first year under the welfare system', which was in the days of so-called 'from (economic) growth to (social) welfare'; this phrase was repeated by Tsuru Shigeto; this was also around the time when *Limits to Growth* (1972) appeared. Then after the oil crisis the review and reverse of the welfare system occurred and the review of welfare budget was followed around the turn of 1970s to 1980s. This proved to be an institutional configuration that was hospitable to neoliberal reforms, which exploited the limits of collective bargaining and the segmented character of the economy.

Yamamoto's book *The Welfare State Decays the Nation* appeared in 1975; he announced of this book in his preceding article "The nation is decayed by the welfare state" (1970). [Yamamoto sent a galley proof of the book to Kiuchi Nobutane, the first Japanese member of the Mont Pelerin Society (MPS), who was really impressed and moved by Yamamoto's ideas⁵.] Yamamoto argued; so far as the policy is aiming for the welfare state, whose pillar is social security and full employment, the number of bureaucrats is increasing and the budget is expanding; while the nation (people) depends on the government and loses their spirits of self-help and mutual aid, the nation of freedom and prosperity must decay. The book was a culmination of his warning propositions since 1955, when he opposed to include the phrase of 'the fulfillment of the welfare state' in the LDP programme, and in the late 1950s when the Welfare Ministry was promoting the national welfare system. Then Yamamoto as a MP of LDP questioned the Government's

⁵ Kano, Y. and Miura, T. eds., *Battle with the Socialist Theories: Selected Essays of Yamamoto Katsuichi* (Shakaishugi-ron to no Tatakai), Kokuminbunka Kenkyukai, 1980, 155-56. Below in this paper, Yamamoto 1980.

general policy and addressed his concern of the 'limits of social security in free society' in a Parliamentary Committee, fearing Kishi Government's promoting the national insurance, minimum wages, etc. under the slogan of annihilating the poverty of people in Japan. He published a leaflet called *The Warning to the Mood for Social Security. Limits of Social Security in Free Society* in 1961⁶; it was incidentally the year when Wilhelm Röpke visited Japan for the first time to make a number of lectures⁷. [In 1958 Erhard visited Japan as a guest of the state; and Japanese translation of his book *Wholstand für Alle* (1957) came out in 1960.⁸] Having already read Röpke's works, Yamamoto inserted as appendix Röpke's critical comments to the Beveridge Plan in this leaflet from *Civitas Humana* (Japanese translation, pp.275-283) (Yamamoto 1961, 18-26; 1975, 116-128). While Yamamoto wrote an interesting article "Ludwig Erhard—Man and Policy" as "My respected economist" in 1958, Röpke's writings were introduced and translated in Japanese 1940s and early 1950s [e.g., Nakayama Ichiro wrote a long review of Röpke's *Civitas Humana* (1944) in 1946; the book was translated in Japanese by Kitamura Hiroshi in 1952. Kitamura also translated Röpke's *Die Krise des Kollektivismus* and *Das Kulturideal des Liberalismus* (1947) in 1949.] Röpke and social market economy, Eucken and Ordoliberalism, then Hayek were getting to be interested in Japan already 1950s, yet so to speak under the radar.

The chapter is organized as follows. First we will explore the configuration of the prewar era focusing on the proposed 'new liberalism' and 'liberal idealism' of the people like Ishibashi Tanzan, Ueda Teijiro, and briefly on the more social democratic people like Fukuda Tokuzo, Kawai Eijiro, who died before the end of war but kept their strong intellectual legacies in the postwar period. The latter two, in particular, seem to have provided the intellectual basis of the welfare policy making in the postwar period. We shall focus primarily on the 'new liberal' Ishibashi, Ueda, and sketch briefly more interventionist liberal (social democratic) Fukuda, Kawai, referring to their disciples. Another major focus is on a unique neoliberal economist

⁶ This leaflet was published from Tokyo Yamamoto-kai (society); this was reproduced as a chapter in Yamamoto, *Welfare State Decays the Nation*, 1975, having replaced the subtitle as the title (pp.99-124). Below in this paper, Yamamoto 1961.

⁷ Parts of Röpke's lectures and questions were published in the journal *Keizai-ourai*, May 1961. A questioner to the first lecture on inflation was Nakayama Ichiro; then the second lecture was on the 'economic order in free society', and the questioners were Kikawada Kazutaka and Minato Moriatsu of Keizai Doyukai (pp.28-39, 40-51).

⁸ Erhard's *Deutschlands Rückkehr zum Weltmarkt* (1953) was also translated by the same man Suga Takashi (of MITI) in 1958.

Yamamoto Katsuichi, who opposed collectivism and the welfare state, and survived the war and active until 1970s as a LDP politician.

The paper also refers briefly to how some business people and business organization (like Keizai Doyukai led by Kikawada Kazutaka, member of MPS) and a sort of think tank (like Sekai Keizai Chosakai led by Kiuchi Nobutane, member of MPS) were in the shadow of Hayek and Friedman. Finally people like Nishiyama Chiaki, who studied with Hayek in 1950s and a member of Mont Perelin Society, and Koga Katsujiro, both diffused the Hayekian ideas in Japan, will be examined.

2. New Liberalism and Social Democracy between the Wars and After

First we shall explore how the ideas of 'new liberalism', social liberalism, and liberal idealism were expressed and proposed in Japan between the wars, under the dominance of state capitalism and increasing socialist, Marxist thinking. Apparently a major figure who proposed explicitly 'new liberalism' was well-known journalist Ishibashi Tanzan (1884-1973), who kept his intellectual and political influence in the postwar period. We investigate a few academic people, who died before the end of war but whose disciples were active, and whose intellectual legacies were quite strong in the postwar period. Ueda Teijiro (1879-1940), who proposed 'new liberalism' ('practical idealism') in his monthly journal called *Enterprise and Society* (Kigyo to Shakai) and published *New Liberalism* in 1927, then *New Liberalism and Liberty of Trading* in 1928 after the international economic conference in Geneva, is less well-known but had a great influence both on academics and business. He taught at Tokyo University of Commerce (present Hitotsubashi University). Ueda was close to Fukuda Tokuzo (1874-1930), who pursued the third way between capitalism and socialism (welfare economy by policy) and provided for the intellectual basis of the welfare state (society). Then Kawai Eijiro (1891-1944), who taught at Tokyo Imperial University and proposed 'liberal idealism', social idealism under the strong influence of T.H. Green, had also a great impact on people of academics, business and politics in both pre- and post-war period. Kawai was married with a daughter of Kanai Noboru, the don of Japanese 'Verein für Sozialpolitik' and wrote a huge biography of Kanai.

The Japanese academics in Meiji-Taisho eras were in general strongly influenced by the German historical school, the ethical and historical economics of social reform (Verein für Sozialpolitik), which had something common with the Oxford

approach to the welfare state and social policy. And there was a time when a form of 'English Renaissance' flourished among the Japanese intellectuals in Taisho and early Showa period (1910s and 1920s), which seems to prompted to generate the more liberalist thinking. The Webbs, Lowes Dickinson, Bertrand Russell, Seebohm Rowntree, came to Japan, and Morris and Ruskin were widely read⁹; and in 1923 the 150th anniversary of Adam Smith's birth was enthusiastically celebrated in the academic circles. In 1924, while Japanese 'Verein für Sozialpolitik' was virtually collapsed because of the conflict with the increasing Marxism¹⁰, the Japanese Fabian Society was founded in this same year as the birth of the first labour Government in Britain. The big wave of social reform assimilated with the British way of welfare state or welfare society was the background of Ueda and Kawai's intellectual formation and activities, and their development in the postwar period by their disciples and relating people. Ueda's colleague Fukuda (who had studied under Lujo Brentano) pursued the foundations of the third way (welfare state) between state capitalism and Bolshevik socialism along the British way of welfare state. The postwar welfare capitalism in Japan was intellectually someway partly promoted in line with the British welfare state traditions until 1970s, someway due to the impact of the intellectual legacies of prewar people like Fukuda and Kawai and their disciples.

Fukuda's Middle Way and After

A British new liberalist J.A. Hobson was favourably accepted not only in the progressive US but also in a backward Japan because of his economics of social reform or ethical economics of welfare. While Ishibashi was sympathetic to Hobson's anti-imperialism and opposed to Japanese imperialism, it was Fukuda, who was deeply inspired by Hobson's welfare economic studies and distribution of wealth, social surplus or unearned income. Fukuda proposed to reform and modify capitalism by social policy or welfare economy, socialization of unproductive surplus. Fukuda seemed to pursue the third way (the middle way) between capitalism and socialism or the British way of welfare state (society)¹¹.

⁹ The origins of Japanese Ruskin Society dates back to these days; it was probably Kawakami Hajime and Fukuda Tokuzo who inspired to read Ruskin.

¹⁰ The maintenance of public order act passed in 1925 in Japan.

¹¹ Fukuda praised Keynes' *Economic Consequences of Peace* in the highest terms, even saying that it was more exciting the intellectuals than the Einstein's principle of relativity in Germany. Fukuda VI, 1465-69.

Social policy to ensure the right to life (national minimum or basic needs) was at the root of Fukuda's welfare economic studies and virtually provided the basis of thinking for the Japanese welfare state from the 1940s onward. In fact, article 25 of the present Japanese constitution (1946) states that 'all Japanese people have the right to a minimum healthy and cultural life', which resonates with Fukuda's ideas, although there is no direct link to them. Among Fukuda's disciples, particularly Yamada Yuzo and Nakayama Ichiro developed and elaborated Fukuda's ideas in theory and in practice. For them, welfare policy was about the right to life, or the material needs of human wellbeing, which would ensure a healthy and cultural life not only for individual workers and their families but for Japanese people as a whole. In postwar times Nakayama tackled with labour disputes, playing the leading role in the Central Labour Committee and Japan Productivity Centre. Nakayama also wrote an article "Proposal for Doubling Wages" for the welfare state (people's welfare) in 1959 (*Yomiuri Newspaper*, Jan. 1)¹², which provided an intellectual basis for the Prime Minister Ikeda's national income doubling plan of the high speed economic growth era of 1960s. Nakayama was also responsible for the Minimum Wages Act (1959). It was the time of 1960s when the national insurance and national pension were institutionalized in Japan. Yamada was somehow instrumental in these institutionalizations and their development; he became the first director of the Institute of Social Security under the Health Ministry, he was also responsible for the re-translation of the *Beveridge Report* for the Health Ministry¹³. Yamada was also involved in the national income doubling plan, he was chairman of national income doubling plan section of the Economic Advisory Council as a very specialist of national income accounting.

Fukuda further discussed, in a capitalist society, the struggle for the socialization of surplus value would develop incrementally, through class struggle, labour disputes, minimum wages, workers' insurance or public unemployment insurance. It would be further achieved through taxation and various public corporations and institutions. Later in postwar period these ideas were developed by people like

¹² Presumably the idea of 'doubling wages' came from Fukuda, or Brentano and Fukuda's *Labour Economics* (Rodo-keizai-ron, 1899), which argued of an efficient wages. Nakayama highly praised this work in his paper "Welfare Economics and Fukuda Tokuzo" (Kosei-keizaigaku to Fukuda Tokuzo, 1974), in Minoguchi, T. and Hayasaka, T. eds., *Modern Economics and Japan* (Kindai-keizaigaku to Nihon), Nihonkeizai-shinbunsha, 1978.

¹³ The first Japanese translation was by the economic section of the Treasury in 1948. The *Beveridge Report* was introduced in prewar years in articles of *Social Policy Bulletin* (Shakai-seisaku-jiho) from Conciliation Society (Kyochokai) in 1943 and 1944 (see Tamai, 298-99)..

Harvard trained Tsuru in such aspects as the socialization of surplus. Fukuda pursued the intellectual foundations of the welfare state in various ways, which was developed by his pupils in post-war years. They were instrumental to make some institutional aspects of postwar welfare economic policy, like industrial relations, minimum wages in micro-side, national income account in macro-side.

Fukuda's welfare economic ideas inspired by Hobson was critical to Pigou's national income as the index of welfare. Rather Fukuda's ideas of welfare, close to Ruskin and Hobson, was more qualitative and relating to the right to life (basic needs), quality of life, not only material wealth but human life, human standard not monetary standard. This was also developed by Tsuru since his early article "Critical reflection of national income concept" (1943), later "In place of GNP" was one of Tsuru's main messages in 1960s and 70s, which also developed into his environmental political economy. This idea was developed by Tsuru, an advocate of Ruskin's critical acumen, who earnestly called for human welfare rather than economic growth, to enhance people's quality of life, achieving a 'full life' as a component of wellbeing. He insisted repeatedly that these aspirations should be the focus of economic policy¹⁴. While Tsuru was active to propagate and call for 'welfare rather than growth', it was 1973 that was called 'the first year under the welfare system', and the social security services were developed so as to establish the welfare state in Japan.¹⁵

¹⁴ 'In Place of GNP', first presented at the Symposium on Political Economy of Environment, Paris, 1971. *Collected Works of Tsuru Shigeto*, vol.13, Kodansha, 1976.

¹⁵ Here we put some notes on Kawai Eijiro and his legacies:

Not only socialism and Marxism but also liberalism and new liberalism (liberal idealism) were oppressed by the Peace Preservation Law in 1930s and 1940s. Kawai Eijiro (1891-1944) was forced to leave Tokyo University on a charge of his *Criticism of Fascism* (1934). Kawai was deeply interested in labour questions during his study at Tokyo University and entered in the Ministry of Agriculture and Trade in 1915. Resigned the Ministry, he returned to Tokyo University from 1920, mainly history of economic (social) thought and social policy. Then he studied abroad in 1922-25; while travelling a lot, he mainly stayed in London and Oxford, met various people; very pleased with the meeting of Hobhouse, met also Tawney, Laski, MacGregor, L.L.Price, attended the meeting of the Fabians summer school, ILP summer school, Labour party, also Liberal people. Kawai was deeply impressed by T. H. Green's ethical ideas; Kawai's major subject was Kant, Hegel, J.S. Mill, Green, Fabian Society and British labour party. He was quite sympathetic to social democracy of Fabian and Labour Party, his liberalism or new liberalism was called

[Nakayama and Yamada were sometimes on the boundary line between social liberalism and neoliberal thinking. Neoliberal Yamamoto Katsuichi submitted his revised *Economic Calculation: basic problems of economic planning* for Ph.D. to Hitotsubashi, which was examined by Nakayama and (probably Yamada who had written on planning and economic calculation). Yamada, whose graduation dissertation was on Carl Menger and he studied with Morgenstern in Vienna, later also wrote on Ordo, Eucken and Röpke, as well as a lot on Myrdal. Yamada somehow inspired people like Koga Katsujiro, who published a pioneering Hayekian studies, *Political Economy of Hyaek* (1981). Nakayama's connection was much broader: he studied with and invited Schumpeter, recruited Tsuru to Hitotsubashi, published a long review of Röpke's *Civitas Humana* in 1946 (Toyokeizai-shinposha, Book Review Club). It was he who made chance of Japanese Mont Pelerin's founder Nishiyama Chiaki's long interviews with Hayek. Not only Nakayama and Yamada but also some others (like Araki Kotaro) worked on the

liberalistic socialism or idealistic socialism. At Tokyo University he trained up three main figures Okochi Kazuo (a very eminent social policy scholar at Tokyo), Yasui Takuma (a very outstanding theoretical and mathematical economist taught at Tohoku and Osaka), and Kimura Takeyasu who succeeded Kawai's liberalism and idealism, confronting the Marxist side of Tokyo University. While studied with his liberal and social liberal disciples like Kimura, Inoki Masamichi, Seki Yoshihiko, Tsuchiya Kiyoshi; Kawai suddenly died at 53 in 1944 because of heart attack. (For Kawai, Atsuko Hirai wrote *Individualism and Socialism: Kawai Eijiro's Life and Thought*, HUP, 1986.) After the war Kawai's pupils formed a study group called Social Ideas Study Group (Shakai Shiso Kenkyukai); Kawai's pupil like Yamagiwa Masamichi (later Governor of the Bank of Japan, a member of MPS) also joined the group. The Group set up a publisher called Shakai-shiso-sha, which published the *Works of Kawai Eijiro* of 24 volumes c.1962, with a great financial support arranged by Kikawada Kazutaka.

After the War, liberalism, new liberalism, and also Marxism, came back, was getting to be recovered and stronger; particularly Marxism in academics; liberalism in business. Kimura was appointed to be an associate professor at Tokyo University, and kept liberalist, idealistic, anti-Marxist stance. Kimura and associates were sympathetic to liberal and social democracy and welfare state policies of the British labour party. Seki Yoshihiko introduced the British Labour Party policies and welfare state policies, as well as a number of translations like *Future of Socialism* by C.R. Crosland. Kimura was a member of the Fabian Research Institute of Japan, founded in 1950, with people like Ohara Soichiro of Kurashiki Rayon; Ohara resigned from Keizai-antei-honbu (Economic Stabilization Agency) in 1948 together with Inaba Shuzo and Tsuru Shigeto, and they initiated to found the Fabian Research Institute in 1950. Arisawa Hiromi became its director and issued *Fabian Studies* monthly, with Tsuru a major contributor. Ohara became a member of MPS.

Austrians and others worked on the Cambridge and the Lausanne and the Swedish in prewar period, but they were devoted to work on economic theory.]

3. Ishibashi Tanzan, New Liberalism and After

While Marxist socialism and the controlled economy arguments towards the war were getting stronger from the late 1920s, there was a fairly strong liberalism and new liberalism tradition in the prewar Japan. One of the outstanding figures was Ishibashi Tanzan, who held onto his true principles of 'little Japanism'. He was a leading journalist in the pre-war times, worked mainly for *Toyo Keizai Shinpo*¹⁶, sometimes called 'Keynes in Japan', and strongly opposed to the reestablishment of the gold standard at the old rate and to the austerity policy of Hamaguchi Government. It was carried out in January 1930 under the Finance Minister Inoue Jun-nosuke as discussed in Teranishi's chapter. But in December 1931 Japan abolished the gold standard under the Finance Minister Takahashi Korekiyo, whose financial policies were sometimes called 'Keynesian'. Then Ishibashi issued *Oriental Economist* monthly so as to make Japan's stance to exchange rate problems understood.

Toyo Keizai Shinpo, a weekly journal still running, was founded just after the Sino-Japanese War (1894-95), during Japan's first period of industrialization. It was edited by the very liberalist and new liberalist people, who were actually getting sympathetic to 'the two Hobs', i.e., L.T. Hobhouse and J.A. Hobson, in particular to their ideas of new (social) liberalism and anti-imperialism. The journal propagated the ideas and policies implemented under Britain's 'new liberalism', as discussed in details in an interesting very long chapter called "*Toyo Keizai Shinpo* and Britain's new liberalism" (in a book called *Japanese Views of Britain* by Miyamoto Moritaro, 1986); it was even said that *Toyo Keizai Shinpo* was 'The Nation in Japan', Japanese version of the British journal *The Nation*. In fact, after reading Hobhouse's *Liberalism* (1911), Ishibashi wrote on the "Development of New liberalism" in 1915 in *Toyo Keizai Shinpo*; it is said that this journal since around 1907 took the similar stance of 'the two Hobs' type new liberalism. From 1924 it was

¹⁶ Before Ishibashi, Taguchi Ukichi, the author of Japan's version of 'Manchesterism', a classical, liberal approach to economics, believed in a harmonious natural law and the universal implementation of free trade. He raised the banner of laissez-faire in Meiji Japan in his Journal *Tokyo Keizai Zasshi* (Tokyo Economist), which was founded in 1879 and remained in circulation until 1923.

edited by Ishibashi, who was active in debates on abolishing the gold standard, he became sympathetic to the economic thinking of J.M. Keynes. The journal formed a significant driving force of the opinion making of the business world.¹⁷

In the post-war turmoil period, Ishibashi was very active in politics for constructing the new Japan after imperialism and colonialism towards a great economic nation of pacifism. He worked first for Liberal Party, then Democratic Party, and from 1955 for Liberal Democratic Party (LDP). He was appointed to the finance minister of the first Yoshida Shigeru (Liberal) government in 1946-47, and made an expansionary monetary policy to support the priority production (Keishaseisan) system (such as coal, iron) for postwar economic reconstruction. Then purged for 1947-51; and after fierce conflicts between pro-US and austere Yoshida Shigeru and neutral and liberal Hatoyama Ichiro, defeating Yoshida, Ishibashi became the minister of industry and trade of Hatoyama Ichiro (Democratic) governments in 1954-56; then after Hatoyama fell in ill, Ishibashi became the prime minister of LDP for a while 1956-57, defeating pro-US Kishi Nobusuke, who became the next prime minister. Though Ishibashi's PM was very brief (65 days) because of his illness, the meaning of Ishibashi's defeat of Kishi was significant in Japan's democratic political history; Ishibashi was intellectual journalist from private Waseda University while Kishi was in the core bureaucrats from Imperial Tokyo University.¹⁸

It is said that there was a proto-type of the high speed economic growth policy in the core of Ishibashi's economic policies; his 'positive finance' 'expansive balanced finance' meant to actualize full employment and income increment by means of increasing productive powers through expansion of investment. It was Ishibashi's ideas that there was no way except positive investment in plant and equipment to absorb abundant population in the postwar ruined situations. This was to develop into Ikeda's income doubling and high speed economic growth policies. [In fact Ikeda was the finance minister of Ishibashi government; Ishibashi had picked out Ikeda for the permanent secretary of finance minister when he was its minister. Ishibashi later

¹⁷ Fukuda also referred to Hobhouse's *Metaphysical Theory of the State* (1918), following an eminent liberalist Hasegawa Jozekan; Hasegawa introduced Hobhouse's criticism of Hegelian and German way of philosophical statism and Fukuda used Hobhouse in his arguments on 'discovery of society'. Fukuda, V; Hasegawa in *Warera*, Jan. 1920.

¹⁸ Kishi was a very able bureaucrat of the prewar Ministry of Trade and Industry and deeply involved in the planned and controlled economy of Manchuria; then became the permanent secretary of the Ministry but crashed with the minister Kobayashi Ichizo, a very liberal minded man of business world who founded the Hankyu Railway Co.

wrote “My disciple Mr. Ikeda” in Ikeda’s Memorial Essays.] As a classical study of high growth era [Kosai Yutaka, *The Age of High Speed Economic Growth*, 1981] says properly, ‘Prime minister Ishibashi who was elected to the president of LDP by a narrow margin of seven, pointed to a positive budget from 1957 under the banner of full employment. Ishibashi who was once rejected as irresponsible inflationist, made his insistence as true Keynesian into the public again’ (quoted in Tsutsui, p.414¹⁹). This was a major foundation of the postwar high economic growth, which founded the ground for welfare policy. [Ikeda contributed a short article “Theory of doubling my monthly salary” (*Nihonkeizai Newspaper*, 9 March 1959), addressing to ‘increase the effective demand’ to fully work (employ) the facilities and working powers, with repealing the regulations and control, and making the best use of people’s innovations and devices.

Interestingly an idealistic liberalist Ishibashi became close with a unique neoliberal economist Yamamoto Katsuichi in politics and liberalist policy making. Yamamoto was invited by Hatoyama to be a founding member of Liberal Party and became a MP of Liberal Party. Yamamoto behaved as political comrade of Ishibashi during the conflicts between Yoshida and Hatoyama, and collaborated in drawing up the liberal policy draft (such as simplification of the administration, tax reduction, abolition of controls, privatization) when Ishibashi was making ‘new policy’ of his positive finance opposing Yoshida’s Finance Minister Ikeda’s sound finance during the conflicts between Hatoyama and Yoshida.²⁰ Yamamoto became a vice-minister of industry and trade in 1954-55 under Ishibashi. Yamamoto had drew up the “General principles of liberal economic policy” in 1947 by the request of Ishibashi as Finance Minister.

4. Ueda Teijiro and New Liberalism

Ueda’s pioneering journal *Enterprise and Society* launched to say that ‘we should see the society from the corporations (enterprise) and watch the corporations from the society,... then we should search for the principles for constructing the new

¹⁹ Tsutsui Kiyotada, *Ishibashi Tanzan: A History of Liberalist Politician*, Chuokoronsha, 1986.

²⁰ *Asahi Newspaper* (8 July, 1952, evening) reported that Ikeda vs Ishibashi’s finance policy exists under the political conflicts of Yoshida vs Hatoyama. It also says that Ishibashi conferred policies over with Sakomizu and Yamamoto. See Makino, K., *Economists in Wartimes*, Chuokoronsha, 2010, 102.

globalizing Japan²¹. He collected his own articles and published a book called *New Liberalism* in 1927, in a way it was ‘idealistic realism (actualism)’ ‘realistic idealism’ in opposition to state capitalism, neo-mercantilism, as well as to rising socialism. He was critical to state-run corporations, protectionist policies and emphasized the importance of private (free) business enterprise. Both statism and socialism depend on the state power and government facilities, while they were quite weak in estimating individuals’ spirits of self-independence, promoting their creative ingenuity and their responsibility (Works 7, 171).

Ueda wrote a brief ‘introduction’ of *New Liberalism* in Geneva, where he attended the international economic congress (4-23 May) organized by the League of Nations, as a representative of Japan (led by Shidachi Tetsujiro of Japan Industrial Bank)²². Ueda wrote about this big congress in details in his *New Liberalism and Liberty of Trading* in 1928. The main issues of the congress were tariffs and cartels; its report ascribed the causes of European economic stagnation to the protective tariffs of each country’s national self-sufficiency policy. Being of the same opinion, after return to Japan, he founded the Association for Liberty of Trading with some eminent businessmen (like Shidachi) in Tokyo and (like Hirao) in Osaka, and issued the monthly journal *Liberty of Trading*, running till 1942. Ueda went to Europe again in 1928 and attended the League of Nations Associations meeting in Prague, promoted by Cobden Club’s International Committee to promote Universal Free Trade; Ueda addressed there and introduced the Japan Federation of the Associations for Liberty of Trading. *Liberty of Trading Bulletin* was also issued in English from no.1 to 13. Ueda, as a specialist of population problems, thought that Japan with dense population and poor natural resources had to depend on international free trade and to spurring to reduce the tariffs of necessities and material resources²³. In fact, Ueda’s maiden work (from his B.A. dissertation) was *Treaties on Foreign Trade* (1902), highly praised by Fukuda; there Ueda proposed ‘Japanese’ trade policy based on Ricardo and J.S. Mill, as well as Friedrich List, forerunning and laid a founding stone of trade policy and international economics in Japan.²⁴

²¹ See my paper in Japanese “Ueda Teijiro’s New Liberalism and his Views on Japanese Economy” in Tsuzuki, C. et al. eds., *History of Anglo-Japanese Relations, V, Social and Cultural Perspectives*, Tokyo U.P., 2001. This section 4 is largely based on this paper.

²² League of Nations’ secretariat’s head of the economic and financial section was Sir Arthur Salter; and Walter Layton, editor of the *Economist* was also there.

²³ See Nakayama’s arguments for solving the problems of over-population by foreign trade in “World Market and Japanese Economy” during the debates to enter GATT around 1950; Inoki Takenori, *Keizaiseicho no Kajitsu*, Chuko-bunko, 2013, 31-32]

²⁴ For the 150th anniversary of Adam Smith’s birth Ueda wrote “The economic policy of

Ueda had also studied 'business policy' under Ashley at Birmingham in 1906, Ueda's first studying abroad, and founded the subject of 'business economics and administration' and generated a number of scholars in this area in Japan. [In fact Japanese Society of Business Administration was founded in 1926 (the same year of Ashley's *Business Economics*) with membership of 342 (in this aspect Japan was not backward).] Then he published *Economic Discourse of Joint Stock Companies* in 1912, discussing the role of joint stock companies in capitalist evolution and the importance of managerial efficiency of organization.²⁵ And his second studying abroad in London and Cambridge (1912-13) continued, and he learnt new liberal and social democratic movements; then in the time of Taisho Democracy and 'Reconstruction' after WWI he published *Social Reconstruction and Enterprise* in 1922, stressing the social importance of business corporations and 'the duty-role of managers in the social reconstruction'; he also wrote two books on *History of English Industrial Revolution* in 1923-24, which sold well at the time of Japan's rapid industrialization and development of labour movement after WWI. He wrote these after returning from the first meeting of ILO in Washington in 1919 (he went there as an adviser to the Government representative).

Ueda was greatly influenced by the British intellectuals, more specifically the reformist tradition of the Oxford economists. At the beginning of his book on *English Industrial Revolution*, he made a particular reference to the 'enthusiastic social reformer' Arnold Toynbee. Ueda was also influenced by Ashley, the Webbs and R.H. Tawney. Writing about Tawney's *The Acquisitive Society* (1921), Ueda stated that although numerous works on social reform appeared, none had engaged his sympathies as profoundly as Tawney's work. He believed that this book best expressed what he himself wanted to say.

In these Ueda stressed that the role of managerial personnel, middle management classes in large corporations of the acquisitive society [he wrote an article "The social significance of new middle classes (salaried men, company

Adam Smith": he argued in support of Smith's criticism mercantilism, a system which had defended the merchants' and manufactures' monopoly of trade and industry. Around the same time Ueda wrote in support of Muto Sanji and his 'Commercial and Industrial Party' – political party which opposed those monopolistic and privileged classes who colluded with politicians – and called for a rallying of the middle business classes. (Works 3, 442-3)

²⁵ The second volume of Ueda's *Collected Works* (1975) was entitled *Economic Discourse of Joint Stock Companies*; Ueda's disciple Aoba Fumio, who was active in postwar period as will be seen below, wrote 'Commentary' for this volume.

servant parallel with civil servant)” in *Enterprise and Society*. He says that their role was not that of mere men of business for profit, but they must become ‘public men of the country’ (tenka no koujin), working for the best interests of society like ‘Bushi’ (Samurai). Ueda praised their high administrative and managerial efficiency, differentiating mere profit-making and business, and expressed his opposition of nationalization and bureaucratic statism by means of managerial efficiency (something similar to economic chivalry). Ueda read Marshall deeply and extensively.²⁶

In 1920 Ueda wrote “Socialism and the duty-role of managers”, stating that ‘as the age of socialism would come, the capability of managers and their “duty-role” would be increasingly important’. ‘Even if we could remove profit-making and business, as long as production would be necessary, we could never remove administration or management of the organization’, which was shown by the fact that even Lenin had started to study American scientific management. Ueda went on to say that business corporations had already become major structures handling domestic production and that their success or failure would have a great impact on the lives of thousands of people. Therefore, the role of management personnel was not that of mere men of business, but they must become ‘public men of the country’; it seems to represent ‘Bushido’ like Marshall’s ‘Kishido (economic chivalry)’, which had a strong impact to Ueda and some other Japanese intellectuals. Ueda’s ideas constituted the ‘bold opposition of liberalism against the tide of socialism’, ‘well socialized liberalism’ or ‘new liberalism’, which accepts innovation, dedication and honour as incentives of economic activities, and proposes the development of these occupational ethics, and this became his prescription for the age of social reconstruction²⁷.

Ueda’s stress of the role of managers in the social reconstruction, business enterprise and society, had impact at that time as some pioneering arguments for CSR, actually a later great entrepreneur Mori Taikichiro, founder of Mori Group, recollected of his teacher Ueda’s social responsibility of business enterprise; and it also seems to resonate among the voices of postwar business leaders like Nakayama Sohei (Japan Industrial Bank), Sakurada Takeshi (Nisshinbo Cotton Spinning) and

²⁶ Marshall wrote; ‘The world under free enterprise will fall far short of the finest ideals until economic chivalry is developed. But until it is developed, every great step in the direction of collectivism is a grave menace to the maintenance even of our present moderate rate of progress.’ (Marshall 1907, 342)

²⁷ Ueda Tatsunosuke, “Dr. Ueda’s Views on Duty Role of Managers”, *Memorial Essays for Dr. Ueda Teijiro*, Vol.1, Kagakushugi-kogyo-sha, 1942, 32)

Kikawada, all of Keizai Doyukai, who proposed the public statement on social responsibility of corporations and asserted that enterprises were 'public organ' in 1950s, following up their activities for economic recovery and business democratization²⁸; those three eminent business leaders became the members of MPS.

In the journal *Enterprise and Society*, he advocated 'new liberalism' and was critical against both statist (state-run) protectionism and state intervention and collectivist socialism, and stressed the importance of ideas based on individual liberalism and responsibility. 'Efficiency of the government officials and the local government civil servants was much less those of the company servants of joint stock companies.' He was critical to state-run corporations and emphasized the importance of private business, arguing for the reduction of industrial protective policy, cutting down of the state-run businesses, even arguing for the privatization of higher education. Government should take more care for common education; and even government schools should gradually become financially independent.²⁹

Reviewing Keynes' *End of Laissez-Faire* (1926), Ueda praised Keynes' arguments for rationalizing the capitalist market without following escape routes to socialism and consider the evolution of capitalistic institutions as important. 'It was nonsense to argue for the nationalization of railways, they were already being socialized' ("Mr. Keynes on Social Reconstruction", 7, 290). Ueda made his stance clear in "Keynes vs Webb"; Webb, being permissive for bureaucracy and rather cold to private independent actions, addressed straightly the bank nationalization, without turning his attention to the Bank of England being socialized itself, as Keynes argued. In this meaning Webb was a socialist (Works 7, 295). In a review of Norman Angell's *Must Britain Travel the Moscow Road ?*, Ueda confirmed his view that Marxism did not pay adequate attention to the significance of the managerial middle classes and their role in the process of social reconstruction.

²⁸ For Keizai Doyukai's statement and Nakayama, Sakurada, Kikawada, see Nishizawa Tamotsu, "Nakayama Ichiro and the Stabilization of Industrial Relations in Postwar Japan", *Hitotsubashi Journal of Economics*, 43-1, 2002, 13-14.

²⁹ As we see later, Ueda's disciple Aoba, as general secretary of JERI [Japan Economic Research Institute], says that concerning some research topics of JERI like 'Forward march of liberalism and the role of business enterprise' 'Roles of government business and private business', he knew some great hints and answers from his teacher Ueda's *Enterprise and Society*. Aoba Fumio, *Aiming at New Liberalism* (Shinjiyushugi wo Mezashite), Gakubunsha, 1989, 23.

Ueda's activities were also quite international and his visions had international perspectives. Association for Liberty of Trading was called Japan Federation of the Associations for Liberty of Trading, and had a number of regional associations including one from Dairen (Dalian in Manchuria). Ueda also involved in the Institute of Pacific Relations (IPR, non-governmental academic institution founded in 1925 at Honolulu); in Japan it was founded in 1926 (headed by Inoue Jun-nosuke) and embraced a number of eminent liberalist people of international perspectives led by Nitobe Inazo. Ueda was involved in it from 1931 and became a leading member on population problems, presented a paper on "Future of the Japanese population" (Japanese Council, IPR, 1933) to the meeting in Banff in Canada in 1933, explaining the existence of the working age population without employment because of overpopulation and natural resources shortage³⁰. *The Times* (8 Dec. 1933) reported in its article "Crowded Japan. The Need of More Outlets", saying that 'Meanwhile, 1,000,000 more mouths to feed and 250,000 new jobs to find each year for the next twenty years is the Japanese problem.'³¹

Ueda chaired the session on 'Japan's development of trading' at Yosemite conference in 1936, when Japan was isolated in all international relations. Ueda stressed two points: first, it was natural and necessary for Japan to develop its world trading because of its nation's state, i.e., rapid population increase and shortage of natural resources; second, though Japanese goods made inroads into foreign markets, regarded with jealousy and blocked by tariffs and quotas, Japanese side won't always damage the foreign market and willing to accept the adjustment according to the cases necessary. Japan's trade rivalry was mainly with Britain, therefore, in particular, a lot of discussion with the British committee, who said they feared that Japanese exports recently developed so rapid and uncontrolled

³⁰ The population problem was Ueda's main research area in 1930s; he published a future prospect of Japanese population in 1933 and edited three volumes' *Japanese Population Problems*, 1933-1937. The Welfare Ministry founded the Institute of Population Problems in 1940 (later merged with the Institute of Social Security, currently Institute of Social Security and Population Problems) then Ueda became an adviser but he died in that year.

³¹ It went on: The Japanese have dealt with the problem successfully, so far, by extending their economic frontier. 'if the process does not continue, how is Japan to avoid an explosion which will either destroy the social order at home or burst a way to expansion abroad?....A poor, proud, heavily armed nation can hardly be expected ,,,to "starve in saintly submission in its own backyard.' (*The Times*, 8 Dec. 1933)

as to cause the dislocation to other country's industry. Ueda replied that because Japanese government knew that underselling was not good policy, so the related industries made their export guilds or trade guilds to control their exports. He concluded that Japan don't have to be pessimistic. With world economic recovery, the trade rivalries should keep markets for their own goods without using anti-foreign policies. The stability of people's life in Japan was principally to depend on developing its foreign trade together with this world economic recovery. Ueda provided for ten small books on the Japanese trade and industry in English to this conference to make up for the language difference. Among them those relating to small industries was published from OUP as *The Small Industries of Japan, Their Growth and Development*, by Tejiro Ueda and Associates, 1938; it was highly regarded.³² Ueda also involved in the World Federation of Educational Association, and was to be chairman of the section for commercial education.

Ueda died in 1940 during his presidency of Tokyo University of Commerce, he cultivated many people in academics, business and politics. A unique one of his disciples who was quite active between business, academics and politics in postwar era, was Aoba Fumio (member of MPS). He was quite enthusiastic for new- or neo-liberalism and free market economy through his life, and later published a big book called *Aiming at New Liberalism* in 1989. The book is Aoba's collection of various essays, prefaced by Fukuda Takeo (Prime Minister 1976-78, member of MPS) and Shinohara Miyoei. [Fukuda (sometimes Finance Minister and met Hayek in 1965 in Japan) and Aoba knew each other through the private advisory group (called Niki-kai) to PM from Sato Eisaku in 1964; original members of Niki-kai includes Kiuchi Nobutane (probably the first Japanese member of MPS).]

Aoba worked for Fuji Bank and steadily presented papers on a liberalization of interest rate for more than a quarter of century from 1956, which was also published as a book *A Long Way for Interest Rate Liberalization* (1989). After Fuji Bank he worked for the Japan Economic Research Institute (Nihon Keizaichosa Kyogikai), so called the economic research institute on the business world. JERI

³² IPR was founded by the six trans pacific nations (US, Japan, China, Canada, Australia, Newzealand), later UK, France and Holland joined, with liberal intelligent people people like Owen Lattimore, Herbert Norman, some liberal professors from the Law faculty of Tokyo Univ., later Tsuru joined IPR. IPR ended its activities in 1961.

was founded in 1962, on the promotion of Iwasa Yoshizane (Fuji Bank, Keizai Doyukai, member of MPS), and other leaders of big business organizations, Keidanren (Confederation of Japanese Industry), Shokokaigisho (Chamber of Commerce and Industry), Nihon Boekikai (Japan Society for Trade), with general secretary Aoba Fumio and with academic collaboration of Nakayama Ichiro, Shinohara Miyohei (both from Hitotsubashi Univ.).

Then Marxist economics were quite influential in the academic world; whereas in the business world the leaders were earnest to promote liberalism and non-Marxian modern economics³³. Keizai Doyukai (founded in 1946) organized a modern

³³ Exploring how new liberalism and neoliberalism developed in the Marxian and Keynesian era in the post war period before 1970s is a main theme here. It was in various ways. In business one of the major figures was Kikawada.

Kikawada Kazutaka graduated Tokyo Univ. in 1926; he had been enchanted by Kawai Eijiro, in particular, Kawai's maiden work *Studies in Labour Problems* (Rodomondai kenkyu, 1922) even from his High School Days. After graduating, Kikawada entered Tokyo Electricity Co. He lived and worked in the electric power business from the pre-war years of very hard market competition, through the war time state control, to the post-war system of the nine big private electric power companies. [He worked under the company director Kobayashi Ichizo of free market spirit in the pre-war competitive business age (after Kobayashi retired from Hankyu), and collaborated with Matsunaga Yasuzaemon, 'Demon' or 'King' of electric power business, to generate the postwar and current nine companies system.] Kikawada presided Tokyo Electric Power Co. from 1961-71; and he was the president of Keizai Doyukai from 1960 to 1975.

Kikawada wrote "Free market economy and the order" (Jiyushugikeizai to chitsujo) in 1969: competitive business society and order, one major thing concerns the normative activities of business firms, business firms should behave as individuals in the civil society. Business firms should be social institution or public instrument, Kikawada argued for 'social responsibility of the firms' or social responsibility of managers. This was also a major manifesto of the Keizai-doyukai since 1955. Business managers should behave and manage the firms in accordance with the society and the Japanese economy, otherwise the state authorities would intervene and the firm's autonomy be damaged. [Kikawada was sympathetic to the social market economy, he kept the *Ordo in his study*, liked to read Röpke, was close to German business economist, Erich Gutenberg at Körn.]

Kikawada was also close to Hayek. When Hayek got the Nobel prize, the medias issued many comments. An editor of the *Mainichi* newspaper (Tamaoki Kazuhiro), who worked for EPA, found some difficulties to find out a good, well known commentator for Hayek; it was easy for Myrdal, he asked Kikawada for Hayek. Kikawada's comment appeared in *Mainichi*, 10 Oct. 1974.

economics lectures for its 3rd anniversary and edited a series of modern economics books (on Walras, Pigou, Keynes, Hayek, Hicks, etc.), initiated by Nakayama Ichiro³⁴. Keizai Doyukai, with a number of leaders like Kikawada of the membership of MPS, was in the shadow of Hayek and Friedman. It pursued liberalism between business and society, at certain stages it was close to Ordoliberalism under Kikawada's leadership³⁵.

JERI asked to organize various special committees, with the liberalist businessman organizers like Ohara Soichiro, Kikawada Kazutaka (both are member of MPS); Kikawada's committee was chaired by Kimura Takeyasu, both of them were former pupils of Kawai Eijiro. This committee started from 1966 on the theme of 'Free market economy and business' and made the final report "Forward march of liberalism" based on ordered liberalism [the first volume of the two was entitled as "Liberalism as it should be: principles of ordered liberalism"] in 1977³⁶. Nishiyama Chiaki was also a committee member and wrote a part of this report using Hayek's ideas and ordered liberalism. JERI also organized the informal meeting on new liberalism that was a gathering of Hayek studies. Nishiyama and Kiuchi organized a regional meeting of the Mont Perelin Society in Japan in 1966 with financial support of Kikawada and Iwasa, for this occasion Hayek came to Japan.

The Mont Pelerin Society of Japan seems to have set up and promoted by Kiuchi Nobutane (1899-1993, the first Japanese member of MPS) of Sekai Keizai Chosakai (World Economic Research Society) and Nishiyama³⁷. It is said that Kiuchi got a letter of invitation to MPS from Hayek in summer 1958; then Kiuchi attended MPS general meeting in Princeton in that September. After the regional meeting in Tokyo in 1966, the MPS general meeting in Japan (Tokyo and Kyoto) was held in 1988, some 170 people gathered. The World Economic Research Society with Kiuchi's presidency (from 1955) was apparently one of the main institute, a sort of

³⁴ Okazaki, T., et al., *Postwar Japanese Economy and Keizai Doyukai*, Iwanami-shoten, 1996, 90.

³⁵ Takamiya, M. ed., *Business Ideas of Kikawada Kazutaka*, Denryoku-shipo-sha, 1978.

³⁶ Okazaki, et al., 229. Keizai Doyukai set up the Committee for Promoting New Liberalism chaired by Ishikawa Rokuro in 1973. One of main issues was to investigate the theory and practice of 'ordered liberalism'. Against the background of the strains of high speed economic growth, environmental disruption, and oil shocks, the Committee considered business from social viewpoint, and market principle with order; its intermediate report stated that it is getting important 'how to set up the order and rule by public principle in order to maintain the positive aspects of market principle, i.e., to develop and maximize the individuals' faculties' (ibid., 227).

³⁷ Aoba, *Aiming at New Liberalism*, 1.

think tank, which was in the shadow of Hayek and neoliberalism. In this institute, it is said, there hanged a framed tablet written with brush the words of Hayek, 'FREEDOM UNDER THE LAW = THE ABSENCE OF ARBITRARY COERCION', when he visited there. [Kaji Sayo, "Mr. Kiuchi and MPS", in Memorial Issue of Kiuchi, *World Economy*, March 1994, p.88.]³⁸

5. Yamamoto Katsuichi and Neoliberalism: Limits of Welfare in Free Society

When Yamamoto was active as a MP, Kishi government (1957-60) promoted the welfare policy (minimum wages, national insurance and national pension) through Welfare Ministry and Labour Ministry, under the slogan of diminishing poverty. According to Yamamoto, welfare and social security became the mood of the country, even 'the myth of the age', which was accepted uncritically and went on beyond the limits of necessity. Social security budget increased more than twice and half from 1950 to 1956. It was driven not only by Socialist Party but also by LDP (Liberal Democratic Party); both parties appeared in competing for advancing social security policy. It was stated that the past way of thinking about subsistence protection (public assistance) should be shed off and people must change the ideas 'from mere subsistence (livelihood) to life itself [quality of life]' and that it would be necessary to catch up quickly to the progress of general cultural standard (by Kaya Okinori, president of LDP social security investigation committee). (Yamamoto 1961, 3-4)³⁹

It was around then (in 1958) that Yamamoto questioned about Government welfare policy, full employment policy, addressing 'the limits of social security in free society—a warning against the mood for social security'. He questioned the Welfare Minister about 'the limits of social security in free society', expressing his fear of the indications that Japan's welfare policy seemed to go on along the Beveridge Plan of 'from cradle to grave', which UK itself was getting to be troubled with its excesses. Yamamoto feared about crisis that the promotion of welfare policy would breakdown (collapse) the ground of free society. He believed the concept of social security would be that only the people who cannot live by his own means should be secured the minimum living by the state relief; in principle it was the idea

³⁸ Sekai Keizai Chosakai (World Economic Research Society) was originally founded in 1941 with main purpose for collecting and analyzing the foreign economic affairs. People like Araki Kotaro, academic economist, Royama Masamichi, political scientist, both were from Tokyo Univ., were engaged, and Tsuru Shigeto was also nominated in a list of Society's members in 1943. "Araki Kotaro Papers Commentary and Catalogue", 33-36.

³⁹ See above Introduction.

of poor relief from Meiji era and close to the English poor law. But with social security became the tide of the age, the extent of people to be secured were getting to be national and universal. He insisted that in free society there should be certain limits to bear and secure the nation's life by the social collective responsibility and state security. What Yamamoto feared was, 1. The expansion of social security budget leads to chronic inflation; 2. The excess of social security, the transition to social security aiming at income redistribution, would destroy the foundations of sound free society of the conscious self-responsibility and sense of family solidarity and neighbourhood love. (1961, 4-6; 1975, 95, 99)

The essence of social security nowadays is believed to be income redistribution with conscientious intention of the state; the charity or community relief by social solidarity is eventually the same, i.e., it is also an income redistribution in effect, but no collectivistic intention. Both the charity, relief and social security is anyway income transfer from some people to other people: the difference is state intervention in the latter. 'Those who feel dishonor to get charity relief from others must feel dishonor to get state social security. Rather it means more dishonor in the case of social security, for in the case of charity relief, people feel gratitude (debt) in general, but in the case of social security, there is no gratitude.' National social security system will be not compatible (competitive) with self-preparation and voluntary self-help support by family or community; the more extensive the forced social security go on beyond the limits, the narrower the extent of self-support and self-help support by family or community. On the one hand with the extension of state social security the funds (money) must be raised [through taxation], it reduces and diminishes the powers of the preparation for future accident by self-responsibility and those of supporting themselves by free will (spontaneity, libertarian) of family or community; on the other hand with the extension of state social security, the intention of preparing by themselves or the intention of supporting of their own accord of family or community, will be increasingly on the risk of paralyzing. Yamamoto believed that free society should be sustained and in order to sustain free society the principle of self-responsibility needs to be maintained and that state benefit should be used only to replenish the shortage of self-support by people themselves and support by free will of family or community. On the contrary, the Beveridge plan intends that the state would force to secure all the nation for all the unexpected accidents, it was somehow a plan to pool to distribute the national income according to the wants. For Yamamoto, the Beveridge plan was not to approve the values of self-responsibility for the risk of life

and the self-supporting will of spontaneity by family or community. Only in the case of the state benefits were kept within the limits, the state supplement for the minimum needs would not weaken the will of self-preparation and the self-supporting will of spontaneity by family and community. This is the case of Switzerland and West Germany, and the contrary cases are UK and Scandinavian countries, where the will of self-responsibility and the self-supporting will of spontaneity by family and community were weakened. (1961, 9-11)

Yamamoto concluded his paper by the final section (5) called the “Views of Erhard”, economic minister of West Germany, champion of social market economy. He quoted phrases from Erhard’s *Wohlstand für Alle* (1957): ‘economic freedom and national forced insurance were irreconcilable like water and fire.’ Some people thought that people’s welfare and happiness were based on some form of collective general responsibility that finally meant state powers; this constitutes the idea of the welfare state. Erhard says: he is surprised with how strong the voices for collective security in public area. If anybody ourselves won’t take our own responsibility and seek for our security to the collective body, how the progress could be maintained. If these inclinations would be prevalent, we would slip into the social order where everybody put their hands into others pockets. This blindness and mental idleness that going towards the allowance welfare state (Fuyo Fukushi-kokka) will bring us only disaster. These impulses (temptations) and tendencies would annihilate gradually but steadily, above all, the true human values and moralities, i.e., spirits that willingly take responsibility, human love, love of his neighbours, want to be tested; many good things such as self-reflections for future.

Erhard’s ideal is that ‘I would try my strength by myself. I would bear the risk of life by myself and take responsibility for my fortune by myself. The state should care to make the things for us people to be able to do that way.’ ‘The state, do let me alone, let me free; give me freedom for me to make my existence and my fortune by myself.’ It is something like that the state should only care to make the conditions of ‘invisible hand’ would work.

The compulsory protection (care) by state must stop at the stage that the individuals and their families could prepare for themselves by their responsibilities. It would be very dangerous to make the employed salaried people of high amount the subject of compulsory insurance. In particular, it would be most dangerous to put the independent business people under the collective security system. The increased socialization of income, extension of collectivization of life plan, extensive

prohibition of individual property ownership, strengthening of the dependency on the collective and state organization, — which would necessarily cause the withering of free and efficient market as the principal foundation of market economy. (1961, 12-15)

Yamamoto summarized his conclusion; there must be the limits of social security so far as we won't lose the free society. The limits mean that we should not extend social security beyond the point that weaken the nation's (people's) intention and power to take responsibility by themselves for the risk of their life, and weaken the family and community's intention and power of voluntary relief. Therefore the state assistance or state benefit should not exceed these limits of supplement. (1961, 16)

In the same year of 1958 he privately published “Ludwig Erhard—Man and Policy”, which came out in a journal *Keizai-jidai* with an affix of “My respected economist” (vol.24 no.6, 1959). Erhard came to Japan in 1958 as a guest of the state (See above Introduction of this paper).

The ideas of Erhard's economic policy was social market economy. Ideal economic system should have two conditions; one is realization of maximum productivity and another is improvement of productivity should result in the whole nation's benefit, prosperity of all the people or *Wohlstand für Alle*. There is no other way except business competition to achieve these conditions: the very competition raises productivity, competition improves quality and services, make the prices cheaper, consequently benefit all the people, particularly people as consumers. ‘Social’ means to aim at the prosperity of all the nation; since it stresses business competition as indispensable conditions, social market economy is sometimes called ‘competitive economy’. In order to realize and maintain the competition, the state should not only limit the competition but also prevent any things to disturb the fair competition, like monopoly and others; the state strong intervention to keep the fair competition will be needed. One of the most important duties of the state is to secure the free competition. Different from classical liberalism or *laissez faire*, social market economy needs the strong intervention of the state to exclude the forces to disturb the competition like monopoly. Through competition the progress and socialization of profit will be realized.

Röpke, brains of Erhard, was invited to come to Japan in March 1961 by a publisher called *Keizai-ourai-sha*. Then Yamamoto wrote a short article “Professor Röpke and LDP” for its journal *Keizai-ourai* (May, pp.95-98), relating to the impact

of Röpke's ideas to the policy making of LDP. Yamamoto wrote, while Japanese academics was full of Marx and Keynes and almost ignored Röpke, LDP, responsible for politics and defending for freedom and market economy, was seeking for its policy pillar to Röpke's economics and social philosophy, jumping over Japanese academics. LDP MP, Hayakawa Takashi was also very sympathetic to Röpke's ideas and arranged a meeting of Röpke and LDP Policy Research Committee. They also organized a study group of Röpke in LDP with some twenty members; they read Japanese translation of Röpke's *Civitas Humana*. Yamamoto wrote some articles on wages, small industries, agricultural problems, etc. following Röpke's arguments in LDP's house organ. A future prime minister, Ohira Masayoshi, got some confidence from these. Yamamoto promoted Röpke's ideas in Ikeda's brains trust called Kochikai [which was the founding and supporting body of income doubling plan], and its leader Maeo Shigesaburo was deeply impressed by Röpke and got confidence say about small industries. Not only Ohira but Kurogane Yasumi, also close to Ikeda, was deeply influenced by Röpke's ideas.

Yamamoto went on, anyhow Röpke's influence on LDP was not small. LDP had put its policy basis on market economy (free economy) since its foundation; then Yamamoto himself was attracted by Hayek and Mises; but since he knew Röpke, he had been simply taught by Röpke. Though Röpke's policy ideas were generally adopted by LDP, Yamamoto argued that in someway Röpke's influence was working because LDP kept in check [to the then extent] the biased tendency to Keynes-Beveridge consensus that some economic bureaucrats might fall into, while excluding persistently the planned economy and rejecting kolkhozy (collective farm).⁴⁰

⁴⁰ Yamamoto Katsuichi, graduated from Kyoto University and first taught at Wakayama Higher Commercial School. Yamamoto wrote a book *Economic Calculation: Basic problems of economic planning* (1932), one of the earliest book on this topics. Socialist economic calculation debates were a great debate on possibility of economic calculation under the planned economy, or the possibility of socialist planned economy from 1920s to 1940s. Yamamoto revised and published again *Fundamental Problems of Planned Economy: Consideration of the possibility of economic calculation*, in 1939 (this was submitted for Ph.D. to Tokyo University of Commerce (Hitotsubashi). He became very close to the ideas of Hayek and Mises.

Yamamoto, deeply moved by *A Tale of Poverty (Binbo Monogatari, 1917)*, a best seller book by Kawakami Hajime, studied economics at Kyoto University under Kawakami, well-known

Marxist economist. Though Yamamoto was close to Kawakami, he was suspicious of socialism, spoke on 'Doubts about the materialistic view of history', became to criticize Marxism. After he got job at Wakayama, he went abroad to study in France, Germany and Soviet. In particular he studied physiocracy in France, which turned his way of thinking. A basic concept of physiocracy, 'the order of nature' or 'natural order', gave strong impact to Yamamoto: under the natural order or with the invisible hand he became felt that the society or social organization would never be deadlocked because of its spontaneous internal integrity with free competition.

From his thinking the natural order important, socialism that artificially made order and managed the economy would be never realizable with many unreasonableness. Yamamoto also stayed in Soviet, found Moscow miserable, though already passed 10 years after the revolution, parted with socialism. He published his maiden work, *On Marxism: its examination and criticism* in 1930. In 1928, a year when his former teacher Kawakami was dispelled from Kyoto University because he was involved in the student social science union movement, Yamamoto wrote "Doubting the realization of socialism", saying that in a huge massive society of these days it seems really impossible to manage the economy from the central authority, though it may have been possible in a small society like the primitive communistic society.

Yamamoto studied abroad again in 1931-32, then he went to Germany via Moscow, and studied with Boris Brutzkus and Georg Halm, who exiled from Soviet. Coming back to Japan, he published a book *Economic Calculation: Basic problems of economic planning* (1932), one of the earliest book on the socialist economic calculation debates. This was the times when the general equilibrium theory was getting to be introduced by Nakayama Ichiro, Takada Yasuma and a few others, whereas it was the days of Japanese capitalism debates in the Marxist economics camp. Economic Calculation was not paid attention much from academics.

In capitalism the basis of profit calculation, i.e. the cost of production and the price of product exist in market independently from the producer's mind; so it is possible to calculate and to find if the production is economic, compared the price of production as output and the cost of production as input. Yamamoto questioned on what basis and how output and input would be compared and economic calculation made in socialism. [Market price is the basis of economic calculation, therefore economic production. In the socialist economy where production means are state owned and not private owned, there is no market price of production means or production elements. There is no unit of economic calculation.] In his book he critically reviewed various views such as Naturalrechnung, labour value calculation,

6. Nishiyama Chiaki and Neoliberalism after the 1970s⁴¹

Obviously Nishiyama was an odd man out in the Japanese academia. When he left Japan in 1950, Marxian economics still continued to be taught at dominant universities in Japan as an important subject. Another major trend was Keynesian economics. The age of stagflation has yet to come; Keynesian economics was thought to be reliable including econometric models based on it. Thus, Nishiyama's decision to go to Chicago was quite unique, considering the political milieu in general and the academic atmosphere in particular at that time in Japan.

After a fairly long stay in Chicago, Nishiyama submitted a thesis entitled, "The Theory of Self-love: An Essay in the Methodology of the Social Sciences, and Especially of Economics with Special Reference to Bernard Mandeville". Although

money calculation; then he agreed with Mises's arguments that because in socialism no market of the production elements, no price exist, economic calculation of output and input cannot be done, so it is not possible to find if the production is economical or not, therefore the economical and efficient management of socialism is impossible. Yamamoto believed that the market mechanism where the price is made by the real transactions and the production is directed by making the price the basis of calculation is the only unmistakable.

Yamamoto's ideas were welcomed by the Education Ministry who suppressed the socialist ideas, he was invited to its Institute of National Spirit and Culture to prevent the students to be inclined to left-wing or to convert the left-wing people. Yamamoto criticized the controlled economy and the new economic systems movement by the reformist bureaucrats (kakushin kanryo) based in the Planning Agency; he also criticized the plan of state control of electricity (electric power). This was a big issue and people like young Kikawada in the electricity business world were also critical against the state control plan. These Yamamoto's attitudes were paid attention from the business world and the Liberal politician like Hatoyama Ichiro. After the war Yamamoto became close to Ishibashi, as mentioned above, and shared some economic policy ideas of free market tendencies. Yamamoto highly estimated the old liberalism economists like Röpke, Erhard; he wrote "My respectful economist, Ludwig Erhard: man and policy" 1959, translated Röpke's "Prosperity of Europe and its lesson" 1965, wrote "EEC and Professor Röpke" 1972, and "Professor Hayek on anti-monopoly policy" 1974. (See Makino, 2010, 84-112)

⁴¹ Here the scope of our analysis is fairly limited. We refrain from going into the details of the role and importance of monetarism in the Bank of Japan, which are themselves interesting topics to be investigated.

Mandeville does appear in the title of the dissertation, it was his aim to “elucidate some aspects of the methodology of the social sciences, and especially of economics.” It is no wonder that Hayek’s pupil became interested in the figure; Mandeville was an important thinker for Hayek, together with David Hume, Adam Smith, John Locke, etc. Furthermore, as it is the case with Hayek, Nishiyama’s interest in Mandeville was not purely historical, but rather he is interpreted from a methodological point of view. On the whole Nishiyama’s thesis is an attempt to continue and enhance Hayek’s methodological inquiry in his own way.

After coming back to Japan, Nishiyama published a monumental work with Asakura Kokichi, entitled “Monetary Analysis and History of the Japanese Economy: 1868-1970”, in 1974. Already from the title, it can be easily seen that the work was an application of Friedman’s long-term analysis of US economy from monetary point of view in his monumental work with Schwartz. In the introduction Nishiyama told us how he came to the idea of publishing this huge book. In his own words: ‘The publication of this book is based on the suggestions by Arthur F. Burns, who was a professor of Columbia University and the Director of the National Bureau of Economic Research. At that time, Prof. Burns served as the head of the international advisory board of the Center for Modern Economics, Rikkyo University. Prof. Burns, who together with W. C. Mitchel promoted the research at NBER, strongly asserted that economic analysis of the Japanese economy must be done by the spontaneous efforts of private sectors and suggested some research programs. One of them was a monetary analysis of the Japanese economy.’ (Kokichi Asakura and Chiaki Nishiyama, *Monetary Analysis and History of the Japanese Economy: 1868-1970*, Sobunsha, 1974, 3)

The above quote from the introduction clearly shows the origin and the main purpose of the book. Nishiyama founded the Center for Modern Economics at Rikkyo University, where the Marxian economics was still predominant in the 1970s. Nishiyama solicited Burns for his opinions for research at the Center. As introduced in the quote, both Burns and Mitchell were active members of the NBER, a private organization for economic research in US. The basic idea of the NBER is to promote economic research based on empirical, statistical findings, as represented by the above- mentioned Friedman’s joint work with Schwartz, a historical analysis of US economy from a monetary point of view. Nishiyama was confident that their analysis can be applied to Japan and other nations as well, independently from the differences in economic institutions and historical backgrounds.

Two years later, he published *Monetarism*, an introduction to monetarism for the

general reader. His 1974 book, coedited with Asakura, was purely academic; *Monetarism* gave laymen a bird's eye view of the discipline without relying upon heavily technical terms.

Almost at the same time, Nishiyama attempted to popularize Hayek's thought. For this purpose, he edited a book, entitled, *What is Neoliberalism?* in 1977. As the title implicates, Nishiyama was certain that something had to be done to make Hayek's name well known and to popularize his ideas. Apart from the small number of scholars interested in Hayek, he was a thinker in the good old days when economic liberalism was still thought to be true. In the heyday of Keynesian economics after WWII, in and out of the country, the name of Hayek began to be forgotten rapidly.

In what follows we shall briefly introduce the content of the book. The introductory remarks of the book were written by Ichiro Nakayama, a prestigious economist at Hitotsubashi University; he had retired from the university already when the book was published. The following remark by Nakayama aptly captures the differences between earlier and later Hayek: 'Before the WWII, professor Hayek was known as a theoretician of trade cycle, by being the author of the renowned book, *Prices and Production*. He continued to write in the field of economic theories until the publication of *Pure Theory of Capital* in 1941. However, he suddenly stopped publishing articles in economic theories after that. He went to US to avoid the turmoil caused by the war. It is said that he is now interested in the problem of freedom, social laws, and the fundamental problems of ethics and philosophy. He was more or less out of my mind for years.' (*What is Neoliberalism?*, 2)

The Chapter 1 of the book reproduces the conversations between Nishiyama and Hayek. In a relaxed atmosphere they discussed various topics, ranging from economic policies in and out of Japan, pros and cons of pornography, a theme that one never encounters in other published works of Hayek, the reformation of monetary order in Europe, and so forth.

Hayek's far-reaching project of denationalization of money was a topic in the conversations. Now it is a widely accepted opinion among scholars seriously concerned with Hayek and Friedman that they have completely different stances when it comes about monetary policies.⁴² As we have seen already, Nishiyama also

⁴² For details, see the following comments by Hayek in his *Hayek on Hayek*: "Simons I should have had a great hope for, and his death was a catastrophe. The others are in a methodological line; they are in effect macroeconomists and not microeconomists...Milton and I agree on almost everything except monetary policy. In this sense, the old group who saw this ethic derive from Wesley Clair Mitchell's creation of the Institute of National Economic Research (National Bureau of Economic Research), led by Arthur Burns – another personal friend of mine with whom I do not

contributed to introduce Friedman's economics to Japan. He was a proponent of Hayekian political philosophy without being an opponent of Friedman's economics. After listening to and summarizing Hayek's arguments surrounding the courageous project of denationalization of money, Nishiyama posed the following question, which deserves to be quoted: "Then it would be impossible for each government to increase the money supply without constraint. Now I have a question: How is it possible for each country to know the amount of money supply that is running the whole economy? I would like to pose this question, since I am of the opinion that it is important to know exactly the rate of change of money supply. I think I am influenced by the doctrine of monetarism proposed by M. Friedman of Chicago University, which emphasizes the importance of money supply among the various economic indicators." (F. A. Hayek, *What is Neoliberalism?*, edited by Nishiyama, 68-69) Nishiyama aptly captures the crux of the matter. If the scheme of denationalization of money were realized, it would certainly be difficult to control the money supply. There would be not only Japanese Yen of BOJ, but also US dollars, UK pounds, and perhaps also money issued by private institutions. Hayek was definitely confident that it is neither necessary nor possible to control the money supply, which is reduced to his belief that it is not easy to discriminate non-money from money. According to Hayek, there are many different commodities: general commodities that cannot be called money, money proper, and so-called near money. It is extremely difficult to draw a sharp line between near money and money in the true sense of the word, so Hayek argues. Further discussions included in the book clearly show that Nishiyama and his *Doktorvater* have different concepts of monetary policy. Or, put it differently, in the Hayekian scheme, there would be no necessity for monetary policy.

Nishiyama was interested in both Friedman's economics and Hayek's political philosophy, although it is now arguable whether the two great figures share the basic concept of economics and social sciences. In the 1960s and 70s Hayek and Friedman had to fight the same enemies, such as socialism and the Keynesian economics. Mainly from this reason, they refrained from criticizing each other at least in the public. Hayek told the story more in details in his *Hayek on Hayek*. From a detached point of view, Nishiyama also seems to be hesitant to emphasize the differences between Friedman and Hayek. This is understandable when one

agree on economics – and they are in effect logical positivists, methodologically. They believe economic phenomena can be explained from aggregates and averages." (*Hayek on Hayek*, ed. by Stephen Kresge and Leif Wenar, Liberty Fund paperback, 1994, 144)

thinks about the political and academic situation in the 1970s, where liberalism was far from rooted in the Japanese society. The left-wing atmosphere was still predominant there.

Nishiyama seems to be working in a complete isolation from the rest of the academia. However, after Nishiyama, a few scholars of the younger generation began to be interested in neoliberalism.

We now turn to Katsujiro Koga, another key figure in the diffusion and popularization of neoliberalism in Japan, who belonged to the younger generation of Hayek scholars in Japan. ⁴³Koga, born in 1947, was a student of Waseda University, a renowned private university in Tokyo. After graduating from the University, he continued his study as a graduate student there. His first book on Hayek appeared as early as 1981, entitled, *Political Economy of Hayek*, published by Shin-Hyoron. As Koga told us in the interview, he seemed to be working isolated from other few scholars sharing the same interest in Hayek. Then how did he come to the idea of publishing a book on Hayek? In his own explanation, the basic confrontation after the demise of Marxian thought was thought to be the ideological differences between welfare state and neoliberalism. Koga, who was interested in the comparison of different economic systems, read Roepke and Eucken, and the works of Shinzo Koizumi, a dominant thinker in the camp of liberalism, as a young scholar. Comparison of various economic systems was at the focus of interest in his youth, so Koga.

As Koga pointed out, Hayek was not a big figure in the field of economics any more, when he, together with Gunnar Myrdal, was awarded the Nobel economics Prize in 1974. “Oh, Hayek, is he still alive?”, so went a general remark at that time in Japan. As is often the case with Japanese daily newspapers, when the two were awarded the Prize, Mainichi Shimbun attempted to find scholars who were able to comment briefly on them. Myrdal was no problem. However, the Mainichi could find scholars interested in Hayek only with difficulty. It is difficult to say to which extent one can generalize these impressions and situations in the earlier 1970s, but it can be safely said that Hayek was almost forgotten in Japan at least among general readers and laymen interested in social sciences. The western economy experienced stagflation, a phenomenon generally interpreted as a result of the aggressive attitude of OPEC in the previous year, but the revival of Hayekian economics

⁴³ The following information is mainly based on an interview in August, 2014, in Koga's office at Waseda University. We are obliged to Koga Katsujiro, who kindly gave us permission to reproduce the essential part of it.

occurred slowly, taking a clearer shape only throughout the 1970s.

In this sense the above book by Koga was in a sense a new starting point in the Hayek studies in Japan, followed by *Hayek and Neoliberalism* by the same author published in 1983 by Kojinsha. These works, along with other smaller works by Koga, greatly contributed to the further understanding of Hayek among the Japanese readers, extending far beyond the narrow scope of monetary economics per se, to his later works, such as *Constitution of Liberty*; and *Law, Legislation and Liberty*. Ikeda, a coauthor of this paper, was an enthusiastic reader of Koga's book when he began his study of the Austrian School of Economics and related topics as a graduate student in the 1980s.

7. Concluding Remarks and Some Suggestions

The focus on the late-comer developmental state and the allegedly strong Marxist traditions obscured the existing liberal and new liberal traditions in Japanese economic thought. Japan's prewar intellectual landscape was strongly shaped by the German historical school, Marxism and ideas of state capitalism and controlled economy. However, quite a few well-known liberal, new liberal economists and businessmen, and also a very few neoliberal or right-wing liberal economists were present at Japanese economic institutions between the wars. In the war times Marxism and liberalism were suppressed by Fascism, but after the wars they revived, getting stronger and developed in various ways.

In a long journey of various types of Japanese version of liberalism beginning from the interwar period of 1920s and 30s to the 1980s, we scrutinized many thinkers deeply involved with liberalism in one form or another. Some general comments are in order: Along with the upheaval of Germany in the international politics in the 1880s, the German Historical School began to play a dominant role in the economic science. Some Japanese scholars, such as Kanai Noburu at Tokyo University, as well as Fukuda Tokuzo at Hitotsubashi, were representative players in the introduction of the doctrine. Thus, their version of liberalism is far from being a dogmatic one; they emphasized the active roles of the government in various fields of our life. While Kanai was oriented to state socialism, Fukuda was much liberalist oriented, stressed society, social policy, and the British style welfare state. Later, in the 1920s and 1930s, Marxism was getting to be increased in Japan, while the main works of Marx had been translated much earlier. Since then, the Japanese

intellectual milieu had been strongly influenced and formed by Marxism for a long time. However, quite a few well-known liberal, new liberal economists and businessmen, and also a very few neoliberal or right-wing liberal economists were present at Japanese economic institutions between the wars. Ishibashi, Ueda's explicit new liberalism and Kawai's social liberalism, idealism; then a unique neoliberal economist Yamamoto; their intellectual traditions would give us a new perspective. In the war times Marxism and liberalism were suppressed by Fascism, but after the wars they revived, getting stronger and developed in various ways.

Although deeply oppressed in the interwar period and during the WWII, the ideology continued to play some important roles in the Japanese academia and among general readers. The influential political ideology in Japan continued to be center-left for a long time after the WWII. Mainly from this reason, economic liberalism of purest water is difficult to find in the Japanese political milieu. However, in the 1970s, along with the alleged demise of the Keynesian economics, the political scene has begun to be changed. As we have seen above, new political, economic discourses began to be introduced, read and digested due to the efforts of some scholars, such as Nishiyama Chiaki and Katsujiro Koga.

After the introduction of neoliberalism in the 1980s, Japanese politics did turn to that direction in the Koizumi regime, realizing various economic reforms in the spirit of neoliberalism. But this is a topic of another chapter by Teranishi.