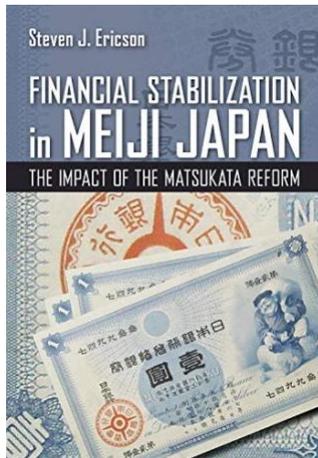




Steven Ericson. *Financial Stabilization in Meiji Japan: The Impact of the Matsukata Reform*. Ithaca: Cornell University Press, 2019. x + 198 pp. \$49.95 (cloth), ISBN 978-1-5017-4691-8.



Trying to separate orthodoxy from heterodoxy is always a slippery path for historians since it plays out on the ever-shifting terrain of scholarship, policy, politics, propaganda, public perception, careerism, and institutional imperatives past and present and is inherently time and place specific. At the crudest level, one can take a momentary snapshot from one time and place and declare – voila – this is what “we know” sincerely, ingenuously, or simply by rote and exclude all else. But once one begins to chip away at the historical record, past and present begin to shift as do the categories of orthodoxy and heterodoxy themselves.

Steven Ericson’s fascinating new book on Matsukata Masayoshi’s late-Meiji financial policies is an attempt not only to reinterpret late-nineteenth century Japanese economic history, but to address the broader global and interpretive frame of postwar American writings on Japan and post-Keynesian, neoliberal policy and theory. Ericson argues first that Matsukata’s financial policies were not as contractionary in theory or practice as is sometimes portrayed, nor were they reflective of a mythological globalized late-nineteenth century ruled by British thought and action. He also argues that though considered as a possible model for Washington Consensus, shock doctrine policies of the 1990s, they were in fact far more subtle than crude neoliberal ideas of economic reform and development.

Although primarily a work on Japanese history, Ericson skillfully situates Japan within the larger context of the late-nineteenth century world and current debates. In six well-written chapters, Ericson sets out the idea that late-Meiji Japan economic policy was a combination of contractionary and expansionary impulses that have not been effectively captured in American writings or neoliberal ideas from the 1980s onwards. Statist, nationalist, steeped in local knowledge, and above all flexible--this is how Ericson sees Matsukata and his policies.

For orthodoxy, Ericson cites three sources: (i) the mid-1960s modernization theory article of Henry Rosovsky describing the Matsukata deflation as a “deck clearing” move leading to “modern economic growth” in the postwar image of Simon Kuznets and quantitative, explicitly anti-Marxist, ostensibly value free social science growth ideas; (ii) mid-nineteenth century, post-Corn Laws English liberal theory and to some extent practice – free trade, laissez faire, independent central banking; and (iii) post-1970s neoliberalism reaching its peak in 1990s Anglo-America and IMF “shock therapy” policies.

Ericson situates Matsukata’s policies therein by specific references to Rosovsky’s interpretation, Anglo-centric ideas of nineteenth century British dominance, and neoliberal policy recommendations. For each, he shows how Matsukata’s policies, though contractionary, do not neatly fit the prescribed global story. Contractionary, but not

rigidly so; solicitous of private enterprise, but equally concerned with national and statist priorities; borrowing from English ideas, but equally concerned with local knowledge and an array of foreign influences.

Chapter 1 focuses on the transition from explicitly expansionist policies under Ōkuma Shigenobu in the 1870s to pre-Matsukata contraction under Sano Tsunetami to Matsukata's own policies that continued the contractionary line but with significant expansionary modifications. For Ericson the peak of late-Meiji economic contraction and austerity is the short-lived Sano era, not the longer and more nuanced Matsukata period. Ericson briefly reviews the various ruling factions and how Matsukata became finance minister. Most interesting here is the interplay of financial and political issues particularly as they relate to Ōkuma Shigenobu's ouster as Finance Minister. Also of note is the wide acceptance within the oligarchy of Ōkuma's approach of actively promoting manufacturing and exports despite inflation.

Chapter 2 emphasizes flexibility and eclecticism in practice combining French and English liberal ideas with US and German nationalist economics as well as drawing on pre-Meiji Japanese thought in part drawn from Chinese sources. In particular, Ericson has drawn on the work of Muroyama Yoshimasa to compare Arai Hakuseki's reforms from the 1710s with Matsukata's. For scholars of early modern and modern economic ideas transnational influences, Ericson's chapter provides valuable work for integrating Japan within a larger historical world.

Chapter 3 deals specifically with the Matsukata deflation. Ericson does not dispute that this was indeed a contractionary policy. He emphasizes, however, that from 1883 Matsukata's policy became a mix of Ōkuma and Sano policies with currency contraction coupled with export promotion and public bond issues. Although some of the discussion is most relevant to Japan specialists in emphasizing the relative size of retrenchment and who in which government was most responsible, the larger picture is of a government implementing various measures of retrenchment in some ways, expansion in others, and specific targeted policies depending on the type of industry or enterprise and the institutional powers involved.

Chapter 4 suggests that Matsukata's policies brought a shift from direct state intervention when compared with early Meiji, but Ericson puts this in context by showing the still not insignificant role of the state in economic life through a discussion of the privatization of state enterprises begun before Matsukata's tenure. Here the picture is nuanced as well.

Chapter 5 looks at the founding of the Bank of Japan, but emphasizes that the chosen model was the statist, German-style Belgian bank rather than the more independent Bank of England. This gets at an important issue for economists and economic historians who, from the 1980s and especially 1990s, have emphasized independent central banks. One of the tenets of 1990s era globalization and neoliberalism has been not only independent central banks but the emphasis on central banks and monetary policy to the detriment of fiscal policy and democratic representation in economic policy. By showing the variety of central bank models that existed in the late-nineteenth century – and the forces and ideas behind them – Ericson offers a first step toward reexamining the uses and motivations of central banks in their founding, late-nineteenth century global phase.

Chapter 6 argues that the Matsukata deflation was not as severe as it might have been due to Matsukata's more nominally heterodox choices such as increasing government spending and export promotion. Of note here is Ericson's treatment of both the effects on Japan's rural population and the deflation's relation to global deflation.

Finally, Ericson concludes by seeing Matsukata's policy as a sort of "expansionary austerity" borrowing the nominal language of a slightly different economic concept from the post-Lehman shock years of austerity enthusiasm. In short, Matsukata pursued austerity in response to rampant inflation early on, but followed with a mix and match set of contractionary and expansionary policies drawn from a wide range of sources both domestic and foreign.

As a work of Japanese history, Ericson gives us the most complete study to date of Matsukata's policies. It will certainly become the standard reference for Matsukata in the English language and ably complement Muroyama Yoshimasa's two-volume work on Matsukata in Japanese from the mid-2000s. Ericson succinctly shows how Matsukata's financial policies did not exist in a vacuum, but rather encompassed a range of domestic concerns, local knowledge, and overseas ideological and political influences. Although different times and places have their own orthodoxies, Ericson makes clear what he means by the term and what he is writing against.

Ericson offers a subtle and encompassing reading of Matsukata's policy as policy, his personal influences and place in late Meiji economic policy and in relation to present day policy concerns. Ericson also ably centers Matsukata's policies within the broader story of Japan's late-nineteenth century economic development with nods to the broader development of global capitalism and late-nineteenth century nation building.

There are also nods to the view from below – the social environment, the popular reactions and influences if any of late Meiji financial policy – and the homegrown intellectual thought that Ericson mentions but does not pursue in depth. Though each of Ericson's chapters could easily have been a book on its own, with the issues further fleshed out both in Japan and a global context, as is, he provides the most helpful account we have to date on Matsukata and the late-nineteenth century economic policy he embodied.

It is as part of international, global, and even as a history of ideas that Ericson's work shows most promise for the future. By situating Matsukata's ideas and policies within a larger frame of "heterodoxy" and "orthodoxy" – and tying this to postwar modernization ideas, nineteenth century English liberalism, and neoliberalism in its 1990s Washington Consensus form – Ericson's work provides a start for integrating Japan within larger discussions about the development of political economy ideas and institutions.

This is a first-rate work that should be required reading for historians and economists working on Japan as well as those interested in global development, late-nineteenth century economic development, and the late twentieth-/early twenty-first century neoliberal turn.

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