‘Institutional Framework’ and the Shaso
（「社倉」，‘Community Warehouse’）Plan
in Late Eighteenth-Century Japan:
Economic Thought on a Stable Regional Society
by Nakai Chikuzan¹

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Abstract:
Economic thought in pre-modern Japan was different from Western rationalism in that it did have a religious basis in the aspect of self-interest. Therefore, the Japanese society had to address tensions between public and individual interests, as pre-modern Japan had yet to understand the essence of institutionalisation as a deepening of the market, which included regionalisation and commerce.

This paper will discuss Nakai Chikuzan（中井竹山, 1730–1804), who not only entrusted the adjustment of the ‘interests of the whole nation’（「万民ノ利」）and the public good to internal social morality through giri（「義利」）but also sought public welfare and institutional recognition for the stabilisation of local societies. His emphasis on public welfare and social stability was important for the time restriction problem in relation to the maintenance of the moral and cooperative community, as well as the formation of economic rationality as an internal mechanism to address people’s interests.

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¹ Nakai was the eldest child of Nakai Shuan（中井範喫, 1693–1758) who was the second principal of the Kaitokudo School. Nakai’s main work, Sobo-kigen（「草茅危言」), concerned the political economy theory in the Tokugawa era and was considered as good as Dazai’s Keizai Roku（「経世録」). As for Nakai’s other achievements, he also wrote Itsushi（「逸史」), little-known facts on Japanese history (1799) and Hicho（「非穂」, 1784) which criticised Ogyu Sorai（小生社倉) and his school. Nakai, along with his younger brother Riken（中井昭軒, 1732–1817) and their disciple Yamagata Banto（山片鯨柲, 1748–1821), was responsible for the most glorious period of the Kaitokudo School in Osaka. He is said to have influenced politics and education during the Kansei Reforms（寬政改革, 1787–1793). He is referred to as Nakai in the rest of this paper.

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I Introduction

If ‘public welfare’ (‘厚生’) means guaranteeing a stable standard of living to all people, then what is the relationship between ‘public welfare’ and the system for the pursuit of health and happiness? When there are various contradictory interests and it is impossible to prohibit the prioritisation of some ‘interests’ over others, or when it is clear that temporary private interests can be limited by increasing the overall public good, is it ‘profitable’ to establish institutions based on ‘current affairs,’ from the perspective of ‘the road to public welfare through interests’ (‘利用厚生ノ道’) ②?

After the eighteenth century, political economy in early modern Japan focused on whether it was possible to institutionalise many contradictory interests. In other words, as noncooperative behaviour, based on ‘a competitive frame of mind’ arising out of any conflict in terms of mutual interests, may eventually impair the stability of the entire political economy, any movement towards the institutionalisation of ‘the road to public welfare through interests’ can be considered to start from research on the relationship between public welfare and political economy in the works of Dazai Shundai (太宰春台, 1680–1747; hereafter, ‘Dazai’) (Nishioka 2010).

The themes of welfare and economy explored by Dazai aimed to further clarify the institutional basis of a ‘political economy.’ They also intended to establish a balance between the political economic policy through ‘institution establishment’ (‘制度建立’) and public welfare.

Nakai attempted to address the question of how to realize public welfare,

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2 Humanity, which did not tend to be cooperative, had to learn ‘the courtesy and righteousness of the ancient kings’ that was derived from the great emperors in ancient China, who taught humans justice, culture, civilisation, courtesy, and wisdom. If people mastered this as ‘the road to public welfare through interests,’ they would not lose their business. Consequently, this road was related to political economy, which was useful in ushering in prosperity through the mechanism of stability in institutions.

3 Dazai’s termination conditions from the Izushi (出石藩; 但馬, now in Hyogo Prefecture) prohibited him from working for another han (domain) for 10 years. As a result, his study suffered due to poor resources. Afterwards, Dazai attempted to build his original political economy thought as a disciple of Ogyu Sorai (1666–1728). Ogyu was a scholar belonging to the most influential forces in Confucian sects in early modern Japan. Ogyu’s characteristics promoted the separation of politics and religion and emphasised literature and politics as fundamental forms of human expression. Dazai adopted Ogyu’s ‘legalist’ thought. Dazai almost exclusively produced works on the problem of current politics and economy, exceeding Ogyu’s logic of ancient studies, agrarianism, and status quo social discourse.
institutions, political economy, and the stabilisation of local communities by
tackling the problem of the tensions and commonality among people's varying
'interests' on the one hand and the public interest of the social economy on
the other. He had an institutional vision that was different from that espoused
by the Sorai School in Edo and Dazai, as he focused on a perspective based
on 'righteousness' as a source of morals.

This paper will deal with Nakai's political economic thought, which
aimed to identify a system design that could provide welfare and prioritise a
sustainable economy to build a stable local society. Nakai entrusted the
adjustment of the 'interests of people' and the public good to the internal so-
cial morality in the minds of people.

How was the process of the formation of giri, as the social goodness to
morality, effective in setting the standards for a response to a real economic
problem? Nakai also assumed that the idea behind 'institutional building' (「制
度組立」) was Konei (国寧), which could have led to public peace anywhere
the whole Japanese societies in Japan through common awareness based on
the institutional framework of absorbing the intertemporal impacts of instabil-
ity and uncertainty along with environmental transformation. In the case
Konei existed in local societies for public welfare to encourage 'permanent
large profits.' He thought that institutional building centred on the system
of 'people's standards' (「民本」), which were recognised as 'virtues' through
internal consciousness by the cooperative action of repetition and as a social
ethic. This could stabilise public welfare and order in the region, which was
built on the mutual formation process among 'public and common interests'
based on 'self-learning' and 'justice,' through the study of experience and
knowledge. He called this practical plan Shaso. If the stable system for the
districts that Nakai had outlined in Shaso was built into the economy, then
how would this stability spread to the entire society and economy?

We must discuss how the knowledge that prevailed in early modern
Japan interacted with the changing community structures, and how, as a
result, attempts were made to systematise public interests in the case that the

4 Giri refers to the formation process of a common consciousness that is effective as the
standard of real economic problems, or the good among people. It can be considered a
system of 'people's standards' in internal consciousness through 'virtues' based on
experience and knowledge.

5 The Shaso system that required the Tokugawa Shogunate and hans to individually use
real grains, was especially useful in saving local people in a bad year. They collected
rice according to farmers' positions, and distributed that rice among the people in the
villages from their common warehouses through cooperative management with the peo-
ple themselves.
economic should work for the public welfare.

II  Principles of Political Economy and ‘Nature of Mind’

(「心ノ持前」) by Nakai Chikuzan

According to Dazai, political economy would be achieved when ‘institution establishment’ adjusted the contradiction between ‘the whole of Japanese society and domains’ (「天下国家」) on the one hand and ‘people’s interests’ on the other, through ‘the road to public welfare through interests’ based on ‘the courtesy and righteousness of the ancient kings’ (Nishioka 2010, 17).

Nakai asserted that such an idea did not involve an understanding of the process of ‘humankind’s mind’ itself in terms of ‘interest.’ If ‘humankind’s mind’ was not organised based on people’s own ideal ways to enrich human nature through the study of self-management and ‘self-learning’ (「修己」) that could accept ‘the courtesy and righteousness’ before institutionalisation, then their issues were likely to have been solved externally by institutions through the medium of ‘the ancient kings.’ It was thus important to socially absorb such a contradiction in the institutional accumulation of minds to enrich humanity by study and learning, and the operations in ‘the whole of Japanese society and domains,’ through the shared action of recognition among people’s self-learnings.

In Nakai’s view, to artificially assume the righteousness of the ancient kings and to limit political economy to ‘institution establishment’ in ‘the whole of Japanese society and domains’ and ‘trade’ makes the effectiveness of institutions difficult. According to Nakai, ‘institutional building’ was an institutional concept for linking public welfare to the public interest of the world based on the common consciousness of social classes through the accumulation and reliability of internal morality. This accompanied the cause of cooperative action towards mutual interests in the chain of people’s mind. While ‘institutional building’ involved creating the design of institutions in a way that it could comprehend the process of ‘people’s mind’ and ‘interests,’ their mechanism shared the knowledge, and this standard became possible through self-learning (Nakai [1789] 1915, 409–11).

Ren (「仁」, benevolence), gi (「義」, righteousness), li (「礼」, courtesy), and chi (「智」, wisdom), which are represented by the principle of ‘adminis-

6 ‘Trade’ meant ‘the road to exchange’ and exchange with gold and silver. This was the same as the pursuit of profits according to ‘bun’ among farmers, samurais, artisans, and merchants. Cf. Dazai ([1729] 1928–29, 488–91, 502–09) and Nishioka (2010, 9–10).
tation of the world by moral practice’ (「為政以德」)\(^7\), constitute the internal factors shared by human beings as defined in Nakai’s *Keizai Yogo* (『經濟要語』, The Important Words of Political Economy). ‘Self-learning’ that is conscious of the common importance of these virtues had to be premised as an assumption for the ‘profits of all people’ through their ‘nature of mind,’ preceding the framework of the political economy (Nakai [1796] 1928–29, 585). This was not based on either uncooperative characteristics or ‘real intention,’ unlike Dazai’s works which noted that ‘all people will try to pursue pleasure and profit and to avoid trouble and loss’ if human beings are made of the same substance and have a ‘competitive mind for achieving self-interests’ (Dazai [1732] 1972, 81).\(^8\)

For Nakai, making political economy central to ‘benevolence and righteousness’ (「仁義」) was not an external task, like ‘the courtesy and righteousness of the ancient kings,’ but was rather internal. ‘Benevolence and righteousness’ mean to observe others’ situations, even if one is unable to directly understand others’ feelings. Benevolence refers to morality with a sense of solidarity among ‘self-interests’ and various other interests through the expression of sympathy towards others. Righteousness is based on the ethical actions in daily life according to public logic, and refers to the morality responsible for the ‘good treatment’ of ‘the public’ in terms of time, region, and environment. ‘The heart of benevolence and righteousness’\(^9\) refers to the unity of both virtues (Nakai [1796] 1928–29, 585; Nakai [1799] 1911, 1). Therefore, ‘the heart of benevolence and righteousness’ became the ‘reason’ for morality through expression to others and ethical actions of daily life and thus a basis of ‘justice’ (「正義」) as common consciousness preceding the institution.

Benevolence and righteousness are the core of ‘trust’ (「信」), because they are normally part of ethical actions to achieve cooperation among people. ‘Trust’ cannot exist without benevolence and righteousness (Nakai [1799] 1911, 1). This gives rise to an internal trust to follow in daily life and social contract in politics and the economy, which subsequently becomes a standard that precedes courtesy, institution, and law (Nakai [1796] 1928–29, 585). ‘Benevolence and righteousness’ and ‘trust’ become the standards of usefulness, while considering ‘interests’ from ‘a public interest perspective’ in relation

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\(^7\) ‘Political economy’ must find its centre in ‘virtues.’ Political economy is like a star that revolves around virtue, which is like a pole star. See Book II. The practice of government. (Confucius [n.d.] 1893, 145–54)

\(^8\) Cf. Dazai ([1732] 1972, 79–81). Refer to Nishioka (2010).

\(^9\) Regarding ‘benevolence and righteousness,’ ‘courtesy’ refers to the action of engaging with people, according to social morality. Moreover, ‘wisdom’ refers to understanding things adequately and ‘to make right or wrong clear.’ (Nakai [1796] 1928–29, 585)
to fairness and levelling stability, as they derive objective knowledge from 'justice' due to an accurate standard. In other words, 'benevolence and righteousness' and 'trust' operate as a useful standard for 'institution building.'

The control of universal recognition is proven by 'justice' and 'trust.' This control is transmitted to others as 'public interest' (『公利』), which relates to humanity's capability and leads to living ethically. Therefore, the morality that should be pursued in a 'political economy' should thoroughly inquire into the learning of accurate ethical standards based on 'justice' and 'benevolence and righteousness.' Their learning and standard of knowledge control people. According to Nakai, 'to learn well is to govern and rule ourselves' (『力学以修己』). Next, the concepts of 'institution' and 'law' that control people are recognised based on their 'remarks,' which depend on clear knowledge through the learning of 'benevolence and righteousness' and their standards (『言以治人』) (Nakai [1847] 1911, Part 2, 2). If 'the nature of mind' does not depend on 'self-learning' as mentioned above, then the spontaneity of 'virtues' which essentially constitutes the human nature is lost. Subsequently, such a framework for 'institutional building' that could have led to public peace anywhere in the whole Japan does build common awareness as a result. This means that people are unable to find a framework that can absorb the inter-temporal impacts of instability and uncertainty.

It was necessary to build an awakened 'self-learning' on political economy for 'the nature of mind' to formulate 'institutions' and 'laws.' If they were not built in the form of the common consciousness based on 'self-learning' to absorb instability and uncertainty, then that effect could be forecasted to become an institutional framework involving remarkably high costs, just like the expensiveness of Daimyos’ alternate-year residence in Edo (參勤交代). The maintenance of this institutionalisation became difficult in the long-term, including the other construction service borne by each domain and military services. This second principle in Nakai's political economy, 'Chijin Arite Chiho Nashi' (『有治人無治法』), influenced public welfare, like 'self-learning' and morality (Nakai [1796] 1928–29, 589–90).

10 'The great knowledge' (『大知』) doctrine of Yamagata Banto, who was Nakai's student, represented the market mechanism of the 'natural circulation of blood.' The price doctrine of Kusama Naokata (草間直方, 1753–1831), another of Nakai’s students, was 'the learning of calculations' of 'justice.' Both doctrines were related to Nakai's views on political economy. It was not irrelevant to Kaitokudo that the basis of Dutch learning (蘭学) and Western studies was developed in Osaka.

11 This phrase originated in 'The Way to the Kings' by Xun-zi (荀子 298–238 BCE), which meant that the political economic problem could not be solved automatically by observing the law.
However, to connect the principle of ‘to learn well is to govern and rule ourselves’ and the principle of common awareness based on ‘self-learning’ to absorb instability and uncertainty, another principle is necessary to stabilise these two principles in the long term. This is the third institutional factor that contributes to political and economic stability: ‘the income was calculated beforehand from a long-term viewpoint, and, as a result, expenditures were planned according to this income.’ This factor was the standard for permanent stability to financially stabilise ‘national polity’ ([国体]), that is, the political system. Namely, the imbalance of finances in the process of the procurement of fiscal resources implied that it would not build any trust in people. The reason for this was that the government had destroyed the system of ‘national polity’ through disproportionate finances (Nakai [1796] 1928–29, 592). The balance of ‘business for politics’ on budget and finance was preferable as ‘justice’ was the standard of accuracy (Nakai [1789] 1915; Nakai [1796] 1928–29; Nakai [n.d.] 1972, 63). Institutions and laws based on ‘morality,’ ‘self-learning,’ and ‘permanent stability’ also had to be strengthened under this principle. Doing so would be useful for the institutionalisation of 康為 for ‘national polity’ in the future (Nakai [1796] 1928–29, 592–93; [n.d.] 1972, 63–64).

III Nakai Chikuzan’s Economic Thought and Giri (Righteous Interest)

1. The Relationship between ‘Righteousness’ and ‘Interests’

The essence of Nakai’s political economy based on the ‘nature of mind’ was a starting point for carrying out ‘justice’ which comprised the basic ideas of ‘virtues’ and ‘public interest,’ which were, in turn, conscious of mutual ‘self-learning’ among people. To Nakai, ‘justice’ formed the core of the ideas of law and institutions, and ‘business for public welfare.’ Thus, Nakai’s thoughts differed significantly from Dazai’s understanding that political economy was the institutional equivalent of ‘the road to public welfare through interests’ in terms of the uncooperative and uncertain nature of mind. Nakai’s views were clear about the idea of ‘the nature of mind,’ that is, he believed that people’s common consciousness developed ‘interests’ effectively before institutionalisation. It is important for ‘self-learning’ to lead to ‘benevolence and righteousness,’ which refer to the everyday ethics and

12 ‘Institutions have been dependent on the national income for 30 years; the income was calculated beforehand from a long-term viewpoint, and as a result, expenses had to be scheduled.’ This phrase was quoted from Li-chi ([礼記], The Book of Rites) (Nakai [1796] 1928–29, 592).
conduct, and for benevolence to combine ‘justice’ with accurate inquiries. The process of moving from ‘self-learning’ and ‘justice’ to ‘benevolence and righteousness,’ making an effort towards self-improvement through self-study, would resolve any contradictions between ‘interests’ and ‘the world’ and reconcile them as ‘the public interest of the world.’

*Konei*, a framework of ‘public welfare,’ as the next stage, pays close attention to public peace and the comfort of ‘all people.’ Therefore, the framework of ‘public interests’ is shared awareness.

However, the term ‘interests’ originally meant wants, satisfaction, benefits, and utility for an organisation or an individual, and manifested as ‘self-interest.’ As Dazai said, the stability of ‘the whole of Japanese society and domains’ was difficult to achieve unless interests were assumed to be the same for all humanity. An alternative problem was created by the relationship between ‘interests’ and ‘the world,’ insofar as outside interventions were not allowed in ‘institutional increases and decreases’ based on ‘the ancient kings’ and ‘the road to public welfare through interests.’

Even if ‘personal non-uniformity’ ([人品不同], humans whose recognition was limited by time, place, or external environments) existed, could it deny a wide function of recognition through ‘self-learning’ and cooperative action? Dazai’s thoughts on ‘institution establishment’ which depended on ‘the courtesy and righteousness of the ancient kings,’ without examining the contents of ‘virtues’ in detail, were simply a kind of Ogyu Sorai’s story ‘to show an unusual exhibition to the world’ which denied man’s essence (Nakai [1847] 1911, 31. cf. Nishioka 2010, 4).

Nakai’s views on political economy which were obtained by ‘self-learning’ simultaneously caused a sympathetic response. When people denied the learning that the integration of ‘virtues’ and ‘political economy’ was a target for standards, they could not recognise the external world, and the spontaneous recurrence of frameworks was prevented. In other words, the denial of human thoughts that were set up as a standard ‘to govern and manage oneself’ never allowed people to accept and understand the law and various social frameworks. ‘Institution establishment’ in Dazai’s political economy denied humanity’s essence and treated it as ‘the courtesy and righteousness of the ancient kings’ without verifying ‘virtues,’ which was a type of ‘threatening tool.’

2. **Reliance on Giri and ‘Institutional Building’**

The acknowledgement of ‘institution’ is supported by a series of ‘self-learning’ activities aimed at developing ‘virtues’ and ‘righteousness.’ Within this meaning, Nakai’s *giri* to avoid the conflict between ‘private interests’ ([私利])
and ‘public interests’ ([公利]) was related to ‘the measure of justice’ that was a universal criterion of cognitive ability derived from ‘self-learning.’ Giri, as righteous interest, was the basis for achieving ‘the appropriate process of situations’ through ‘sympathy’ towards others. The attraction towards righteousness so as not to make a mistake pertaining to the logic of interests’ could be estimated through this mechanism (Nakai [1789] 1915, 411; [1796] 1928–29, 585; [1799] 1911, 1). Nakai’s giri via ‘justice’ from ‘self-learning’ is the acknowledged standard to connect the ‘interests of the world’ with Konei’s ‘institutional building’ based on ‘the standards of the government and the people.’

If ‘giri’ via ‘justice’ from ‘self-learning’ influences practical actions, then ‘righteousness’ and ‘interests’ are neither an alternative nature of mind nor a contradictory mind. In other words, it is possible to connect ‘righteousness’ and ‘interests’ together by adjusting or including them within the scope of efficiency of the entire institution.

This shows the difference between Dazai and Nakai in their views on ‘the law of Joheiso’ ([常平倉ノ法]), whose function was to ensure that tax and agricultural income increased according to increases in rice price, or that the general prices decreased according to the suppression of that price. Dazai saw Joheiso as only a framework to control the contradiction between ‘interests’ and ‘the whole of Japanese society and domains’ (Dazai [1729] 1928–29, 502–08; Nishioka 2010, 12). Contrary to Dazai, Nakai considered Joheiso as institutionalisation based on the legitimacy to form ‘the price of the public good’ ([公共ノ価]), under both morality and reliability from the endogenous ‘benevolence and righteousness.’

Nakai’s idea could overcome the conventional Mencian anxiety from Daigaku ([大学]), regarding prioritising ‘self-profits’ ([私益]) and giri via ‘benevolence and righteousness,’ rather than righteousness. According to Nakai, ‘only when both the government and the people have the right interest, righteousness becomes interest’ (Nakai [1789] 1915, 411). He pursued ‘righteous interest’ through either the trends in the economic society and their adjusted judgement or through the mechanism of ‘the whole of public and

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13 ‘Interest’ before Nakai remained at the stage that they were ethically justified. This was common to not only Yamaga Soko ([山鹿素行, 1622–1685, a philosopher and strategist in the Tokugawa period]) and Shingaku ([心学, the mind philosophers in the early 18th century Japan]) but also Miyake Sekian ([三宅石庵, 1665–1730, a founder of Kaitokudo]) and Nakai’s father, Shuan. See Nishioka (2008, 13–16).

14 For details concerning the issue system of ‘Joheiso stamps,’ the maintenance expenses of Joheiso, the magistrate’s office of Joheiso’ ([常平司倉ノ職]), and others, see Nakai ([1789] 1915, 409–11) and Nishioka (2008, 30–31).
private interests,’ concerning ‘self-interests’ and ‘public interests.’

As a result, it can be said that ‘righteous interest’ leads to the institutional recognition that ‘national interests’ can also be achieved with ‘self-interests.’ This recognition clarifies the design and mechanism of the laws and institutions derived from the shared knowledge and the prevailing norm through the comprehensive study of ‘self-learning’: the discipline of ‘institutional building.’ If political economy is considered from the ‘righteous interest’ perspective, leading to the development of ‘the government and people’ through the mechanism of laws and institutions, then institution management through ‘righteous interest’ and the relationship between ‘virtues’ and human mind are more important than the laws and institutions themselves (Nakai [1796] 1928–29, 71; [n.d.] 1972, 63).

Subsequently, to stabilise the relationship between ‘righteous interest,’ ‘institutional building,’ and ‘the government and people,’ Nakai repeatedly emphasised Chuyo (中庸; the Doctrine of the Mean) (Nakai [n.d.] 1972). It was necessary to judge the ‘private sector’ according to his interpretation in Chuyo which was consistently based on not only ‘the mean’ being moderate but also, ideally, ‘time’ being continuous as an indicator supporting the long-term expectations of the norm.15 ‘The price of the public good’ is formed through ‘the middle price’ between ‘convenience for public and private interests.’ The term ‘normal course’ means to be normal for a long duration even if ‘the market price’ falls into a state of temporary disorder. ‘Levelling public and private interests’ objectively creates ‘the price of the public good.’ All this is related to the institutional recognition that keeps the contiguity of price over time based on long-term expectations through the accurate recognition of ‘time’ and ‘place’ (Nakai [1789] 1915, 261–62, 407–11).

IV  ‘Institutional Building’ of Konei for Public Welfare:

   The Shaso Vision of Nakai Chikuzan

1. The Framework of the Shaso System16
   and its Organisational Operations

An appropriate ‘price of the public good’ can be found by ‘levelling public and private interests’ through ‘institutional building’ based on ‘self-learning’

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15 Refer to Najita (1987, 155–56). Chuyo delved in great detail into how to apply it to one’s life. It was a text with symbolism, offering guidelines on perfecting oneself.

16 According to the farmers’ position, they stocked grains for each local village. Their community grain warehouses saved them in the districts through cooperative management by Daimyos’ government and the farmers.
and giri. For example, to put it plainly, 'the place where marine transportation and land transportation can extend to all parts of Japan,' for example, in Osaka, through the function of general prices, could secure 'large national interests over many years' to people (Nakai 1789) 1915, 409–11. However, the foundation of ‘institutional building’ to stabilise Konei regionally was lacking in districts where 'the market condition was unfavourable and transportation was inconvenient.' In such a place, the relationship between 'the distribution of interests' and the purchase/release of rice (the tekilcho axis), which Dazai had neglected (Dazai 1729) 1928–29, 502–04; Nishioka 2010, 10–12), could undermine 'national interests,' unless there is a focus on changing institutions while facilitating the stabilisation of the local community.

According to Nakai, if a wider function of recognition had been shared through 'self-learning,' the ‘institutional building’ of Konei for the stability of the districts should have been useful in 'strengthening the foundations of the country' in line with people's standards, without equipping a large institutional building and without incurring an enormous cost. He stressed that 'the Shaso system and its plan were possible to practise anywhere and anytime' ([1774] 1915). 17

In Shaso Shigi (My Proposal to Community Warehouse) ([1774] 1915) and Konei, Nakai asserted that 'people are the foundation of the country. If the basic life of people is unstable, then the political economy in the country is not steady.' To stably base the industrial economy at that time, Nakai framed a social fund theory for districts concerning 'institutional building,' which was prepared to cope with a situation where people’s minds became vulnerable to many vicious circles of agricultural recession. In other words, to guard weak people in the industry or the public society, it was necessary to reach an agreement between the people and the government. However, the han government too had faced difficulties of financial shortage. Hence, according to Nakai, it was important to frequently limit the gap between the views of the people and the government and not to cause any distrust between them. Shaso should prevent ‘difficulties in people’s lives with due consideration for the situations in which business and society were oper-

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17 However, Nakai’s Shaso model itself was based in Tatsuno (龍野), Banshu (播州) (the west part of Hyogo Prefecture). Why was the Shaso model from Tatsuno? (1) His grandfather was a feudal retainer (藩士) of the Tatsuno domain. (2) Even after his grandfather resigned and moved to Osaka, the Nakai family was still close to both families, Matano and Fujie, who were 'both Confucianists' from Tatsuno through marriage. (3) The Nakai family, including Nakai himself, and his father Shuan, offered some suggestions and solutions to the Tatsuno daimyo (藩闡家; the Wakisaka family) after the Kyoho era. It seems that these connected Shaso Shigi with Tatsuno.
ated, based on the economy in the country,' and 'had to absorb the instability of the local districts.' This *Shaso* system, as *Konei*, was a useful framework for public welfare in local societies, as it strived to encourage ‘permanent large-profits between the government and the people’ (Nakai [1774] 1915, 491). This *Shaso* function and practice brought the half contribution method in the principal fund (「元米分」) between the *han* (藩) and the people, the operation of ‘interest’ and the reserves effect of aggregate interests through the lending function, and the local advantage of separation from the influence of the interest rate fluctuation because of the real investment efficiency of rice, unlike in Osaka (Nishioka and Nakakitaura 2017, 144–45).

Owing to uncertainty and the fear of famine, if the local government prohibited the shipment, transportation, and storage of rice, then smuggling and concealment of rice would have taken place. As a result, adjusting the price function of rice was paralysed, and both the government and the people were in a painful position.

As the Tokugawa period progressed, the production of rice throughout Japan tended to increase (even in Tatsuno, around Osaka). On the other hand, if there was a famine or fear of famine, then the price of rice faced a sudden rise as each *han* prohibited the shipment or transportation of rice. Namely, the price elasticity of rice became remarkably inflexible. This was especially true in the case of the shogunate system in which local districts were politico-economically independent. If the supply was scarce and the stock of the staple products was highly appreciated compared to that of other districts, then the surplus could not be shipped or transported because these districts were inflexible when compared to Osaka (or Edo).

Since economically inferior local districts could not afford to respond to the change in this social economy, even in Tatsuno, which was a relatively fertile land, the fear of a famine was viewed as a kind of threat to ‘people of a miserable and low social standing.’ According to Nakai, the *Shaso* plan, much like goods (rice) savings, was useful for the stability of the local society, particularly concerning ‘national customs and manners’ (「国風」)

18 The *Shaso* plan by Zhu Xi (朱子, 1130–1200) from whom Nakai got this idea also discussed the role of farmers returning to their normal lifestyles, as opposed to suffering from a shortage of basic goods. However, Zhu Xi’s idea actually corresponded to the pressure of the powerful north-neighbouring empire. *Joheiso* before *Shaso*, or *giso* (「義倉」), had already been diverted to military use and other administrative tax costs, and as a result, was not useful as a solution for the shortage of goods during the great famine. Domestic security depended on the leadership of the local gentlemen (郷紳) in the form of *Shaso*. In that sense, Zhu Xi’s *Shaso* plan was a kind of framework in traditional Chinese policy perspectives. Refer to Nishioka (2010, 3, 17).
and the public peace of the entire domain during such a crisis. If an institutional safety net was provided to all people, in which Shaso played a socio-economic role in Tatsuno, then it would have decreased the load of 'the law of Johei' for them, and they would have looked forward to having control over the rapid fluctuations in the market.

Nakai attempted to deny Choai（「帳合」, balancing accounts) as expressed by Yamagata Banto\(^\text{19}\) through the institution of Shaso. The Choai dealing method in the rice market in Osaka was a mechanism through which brokers bought and sold rice according to their expectations or their customers’ orders, and that balance in forward bargain and arrival sale was a profit. The buying and selling were settled by balancing accounts, that is Choai, on a fixed date, and the actual rice was not handed over as in normal dealings. Choai at regular intervals on fixed dates was considered a form of speculative dealing among rice brokers, as a kind of 'forward business,' through the equalisation of the value between the real and expected amount of rice.

Nakai asserted that Choai in fact did not function as a safety net but rather influenced society deeply through the ups and downs in the price of rice, because of the price speculation as a result of the rise in agricultural productivity in Tatsuno. In smoothly carrying out the 'levelling of public and private interests,' 'institutional building' for Konei, Shaso, was important as a function 'attached to the village,' to perform social safety and the prevention of economic fluctuations, not only for han governments but also for villages. This Shaso 'was public property from which everyone profited,' including the government and the people in Tatsuno, and was a sustained social fund (Nakai [1774] 1915, 501). Therefore, the han alone could not determine the usage of rice produced by Shaso.

There may have been a problem in terms of general finance because the investment in Shaso resulted in a partial shortfall in the han’s revenue. However, if the han government contracted ‘a loan agreement as a new transaction’（「御取組」, lending and borrowing contract) with the 'new silver capitalists in Osaka and Kyoto,' then 'the interest' exceeded the annual interest of 14%, including the borrowed debts that were deducted beforehand against the monthly interest, the dealings expenditure, and entertainment expenses. On the other hand, expenses incurred by Shaso were not a mortgage for the capitalists because of the Shaso fund. This principal fund would remain within the Tatsuno territory and would be paid back over several years. The

\(^{19}\) Yamagata was the general manager of Osaka’s wealthy merchant, Masuya（升屋）, and revived Masuya through his business skills. He was famous as a disciple of the Nakai brothers at Kaitokudo, and he also liked Dutch learning.
interest rate would also not be more than the annual interest rate of 7% (Nakai 1774] 1915, 501–02).

Nevertheless, if people did not adequately recognise the importance of Shaso or issues accompanying the loan agreement with those capitalists as described above, then they would not be able to trust the significance of Shaso as ‘institutional building.’ Nakai significantly emphasised their recognition of the importance of Shaso within the scope of the prevailing situation of ‘institutional building.’ This was because both the government and the people attempted to adjust their recognition within the range that they understood empirically. An institutional plan in a situation comprising of people with poor everyday living conditions who lacked an adequate understanding was ‘a useless law’ (徒法), and it could not be a certain basis for ‘great national interests’ (御国之大益) to sustain ‘public welfare’ and ‘national customs and manners.’ It was not a result of integrated profiteering between the government and the people, but it rather seemed a manifestation of ‘institutional building’ with illogical adaptability in terms of short-term expectations, because of their absence of vision for local integrated interests. The learning and cultivation of common sense between the han and the people, namely of Shaso which affected ‘virtues’ as ‘the nature of mind’ and a basis of ‘trust,’ took the form of ‘legislation’ that included ‘the whole nation’s advantage’ (全体御国ノ強) for Konoe. In that sense, managers and operators in Shaso were keenly aware of promoting the standpoint that ‘it was necessary to explain why the han did not privately use the rice of Shaso, and to make people repeatedly and completely understand its meanings and effective functions in detail.’ The persuasion of people’ and learning and educational activities in Tatsuno or at the Kaitokudo to realise such national interests and the effects of social stability related to this ‘institutional building,’ would have been of great importance (Nakai 1774] 1915, 502).

Stabilising the local districts via Shaso would ultimately result in a generally positive opinion of the operation of that han policy. Realistically, like the prevention of ‘territorial move,’ this aimed at stopping changes in the territory under the orders of the Tokugawa Shogunate, due to domain administration failure; or like the strong tie between the government and the people

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20 The operation of Shaso to the village organisation (the village officers and peasants) was added to handle the load and distribution of Shaso in addition to a past land tax, various works, and other necessary expenses incurred by the village, etc. If the Shaso had been executed, then ‘scholars’ and ‘secretaries’ who played the main role in the management of Shaso in Tatsuno would have been influenced by Nakai. The human capital for social institutionalisation received education based on the same Confucianism.
in that region, it could align with ‘the expectation of all feudal retainers of the house of Wakisaka who want to stay in Tatsuno, including in the future’ (Nakai [1774] 1915, 502).

2. ‘Immediate Profits before their Eyes’（「目前の利」）

and ‘Sincere Regard and Devotion’（「心服」）to Shaso

Was Shaso simply a new system for the collection of additional taxes positioned as the ‘principal fund for rice’ for Konei? Was the collection of Shaso misappropriated or incorporated into general finance? Alternatively, could people be expected to react to the formation of Shaso and its activities properly, making it capable of achieving the ‘welfare of the entire public’?

As Nakai himself acknowledged, people had various anxieties about the foundation of the Shaso system. This is because ‘the most underprivileged people’（「末々の者」）who were endangered during the famine were extremely limited in their reaction/recognition due to their lack of understanding of this essential system’s meaning and significance. They only had ‘interests’ that considered ‘the immediate profits before their eyes’ and did not look at the future with flexibility when there were sudden changes in the social climate. When people continued to believe that overlooking the policy in the han would be advantageous for them, and when they recognised that the change in policy failed to meet their expectations, then Shaso was easily transformed into ‘an unexpectedly temporary business’（「不意に臨時の御用」）. Shaso could not control people’s reaction pattern, such as the focus on the ‘immediate profits before their eyes.’ Concerning Shaso, ‘people in general’（「世間一統」）did not think about the ‘subsequent better results’（「後に宜敷事」）. Judging from the profit and loss that the past policies brought in, Shaso could have caused a non-adjusted time reaction through people’s experience so far, and their antipathy against the long-term expectations (Nakai [1774] 1915, 500).

A definite difference between prior recognition and knowledge was disregarded, and as a result, people continued to pursue the ‘immediate profits before their eyes,’ despite the institutional target that attempted to achieve ‘permanent profits for the government and the people.’ The study and knowledge of the events in the near future finally indicated the same result of

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21 This explanation by Nakai might have been used as material for persuasion in the promotion of the Shaso system in terms of possibly stopping a territory reduction and obstruction to movement to several local districts to the Wakisaka. The reason might have been financial impoverishment in the background of ‘the internal squabble’ in the house of Wakisaka（「御家騒動」, Oie-sodo）(Yamanaka 2000). See Nishioka (2007, 102, 111).
Dazai’s ‘institution establishment’ to changes in nonadaptive reaction. If there firmly existed firm and explicit intentions with regard to the policies that the government tried to keep in Shaso, it would have become led to ‘institutional building’ that and ensured all people to be satisfied (Nakai [1774] 1915, 502-03).

In that case, Shaso would have been established as ‘institutional building’ according to the cause of the cooperative action as opposed to Dazai’s ‘institution establishment’ in which the people and the institution were linked in ‘a utilitarian way’ and the shared value among people was not assumed. When girl could not be formed at once, and the acknowledgement pattern of the ‘immediate profits before their eyes’ was admitted, the framework of ‘institutional building’ was obstructed. If the elements of ‘time’ and ‘dynamics’ only added to ‘institutional increases and decreases’ as in Dazai, then the external target through the ancient kings would only determine ‘the distribution of interests.’

For the public welfare of the local districts, Shaso, as ‘institutional building’ of Konei, was linked to ‘the overall profit of the government and the people’ (「上 下一 線の利益」), and promoted social awareness that was incorporated in the range, breadth, and certainty of ‘interests’ through the consciousness of ‘virtues.’ The government and the people in general should have considered the ‘common interests’ to the public (「公共ノ利」) from ‘self-learning’ via the study of knowledge. Although there was no external and unknowable existence like ‘the ancient kings,’ Nakai understood that ‘the people’s standard’ was recognised as morality and learning from the perspective of girl and ‘virtues’ based on their inner consciousness. This is because the cooperative action of repetition formed by self-learning and moral practice in the long-term is preferable as a social ethic.

According to Nakai, some thoughtful village chiefs in West Japan asked the government to retain more profits through Shaso for the people and Konei by ‘institutional building’ in the whole territory of the han rather than its establishment within a narrow village, following the texts of Shaso Shigi and Sobo-kigen. The change in social recognition and action promoted the establishment of Shaso as a permanent institution for ‘the people’s standard’ and strengthened the necessity of the study of virtues to create girl through public welfare. Only ‘institutional building’ which related to cooperative activities based on virtues and righteous interest gave Nakai a sense of pride. The permanent ‘people’s standard’ and public welfare they created became a form of institutionalisation ‘known to the world’ (Nakai [1789] 1915, 415).

To unilaterally solve the contradiction between ‘interests’ and ‘the whole of Japanese society and domains,’ ‘the road to public welfare through interests’ via ‘institution establishment,’ based on ‘self-interests,’ cannot make the
most of 'the levelling of the world' to maintain the stable functioning of society. To amplify the unstable way between this levelling function and 'institution establishment' by utilising the 'interests' and 'the whole of Japanese society and domains,' or 'self-interests' and 'public welfare' consciously or alternatively, was not useful to 'public interests' for 'the overall profit of the government and the people.' For Nakai, such an approach disturbed the spontaneous 'institutional building' process and the process of 'public interests' that lead from 'self-learning' and 'justice' to 'people’s standard' through study and knowledge.

V Conclusion

Did society encounter any tension or was there a state of continued stability when the new public welfare system was developed in the social economy? How did such a promotion and development impact this mechanism? Concerning socio-economic problems and their mechanisms, scholars of early modern Japan attempted to empirically answer those problems according to their knowledge and standards. However, the economic society was always concerned with the relationship between the institutional environment and people’s incentives according to the above-mentioned known necessity and acknowledgement, irrespective of whether a combination with ends and means was really effective.

Nakai’s approach seriously examined the growth of morality, and he devoted his attention to the process of ‘self-learning’ and socio-economic problems. He thus attempted to challenge and discuss ‘institutional building’ based on the development of morality from the perspective of ‘public and common interest of the people’ through Shaso, by assuming an endogenous giri and social awareness. His description addressed public welfare and economic society through a qualitative framework rather than a quantitative one. Nakai’s ideas also aimed at making education and schools work for the institutionalisation and enhancement of social ethics as a sustainable asset of ‘great national interest.’ These views led to the creation of a strong sense of affinity in humans towards social capital.

The pursuit of stability in ‘public welfare’ and the social economy through Nakai’s works and ideas in the latter half of the early modern period in Japan was important. This was because the mechanism of both the ‘government and people’ in terms of ‘profits,’ defined by the relationship between ‘righteousness’ and ‘interests,’ or through morality and cooperative community based on social awareness, continued to support this stability. However, his logical approach was problematic for both institutional building
and establishment in two situations. The first was when no broad outlook or comprehensive vision was formed through morality and cooperative community, namely when it became apparent that there was very limited time available for this mechanism to be maintained for an open economy in line with 'public opinion,' like the opening to the world. The second was when this caused adaptive rationality within the confines of extremely narrow social awareness, like the closed situation under the shogunate system.

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