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***Sankin Kotai: Institutionalized
Trust as the Foundation for
Economic Development in the
Tokugawa Era***

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Preface

Mention today of the Japanese “miracle” typically brings to mind the nation’s unprecedented rapid transformation in the postwar period from a war-devastated state to sustained double-digit growth rates unmatched in the industrialized world. Yet, the historical legacy surrounding the development of Japan’s market economy in the Tokugawa era centuries earlier hints at a prior “miracle” of economic development. During this time, Japan made a similarly dramatic shift from a country ravaged by more than a century of civil war to one experiencing the spread of commerce and rapid economic growth for the first time. The “miracle” in this case stemmed from the fact that the remarkable transformation occurred against the backdrop of Japan’s self-imposed isolation from the outside world and markets.

Just as numerous scholars have delved into the interplay between markets and institutions in an attempt to explain the postwar economic miracle, this paper examines the relationship between markets and institutions in Tokugawa Japan in an attempt to better explain the phenomenon of economic development at that time. In particular, this paper focuses on the Tokugawa era institution of the *sankin kotai*, or alternate attendance system, and argues that conventional explanations attributing the unusual economic development of this period to the unilateral coercive government power of this institution are problematic. The author argues that the alternate attendance system must instead be understood as a rational institution which promoted mutual compliance *ex post* and allowed for credible commitments *ex ante* through its harmonization of interests. The resulting peace dividend generated the positive externalities requisite for the development of a market economy.

The conclusions which emerge from this study should interest those familiar with current debates surrounding the role of state institutions in Japanese postwar economic growth. Just as unilateral government intervention has proven a weak explanation for the economic growth of the postwar era, so too unilateral coercion and exploitation prove problematic as an explanation for the development and growth of the market economy in the Tokugawa era. Indeed, the attentive reader familiar with Japanese postwar institutions will find that the analysis of the *sankin kotai* institution presented here hints at several isomorphic patterns in the Japanese political economy across time. Among these are origins of state power embedded in a structure of public-private sector interdependence and the emergence of power and stability out of a complex network of relationships and harmonized interests more than out of a framework of legal authority and coercive sanctions. In this way, the author’s portrayal of the *sankin kotai* as a form of institutionalized trust which laid the foundation for economic development in Tokugawa Japan bears relevance to contemporary discussions of the Japanese political economy.

***Sankin Kotai*: Institutionalized Trust as the Foundation for Economic Development in the Tokugawa Era**

1. Introduction*

This article focuses on the *sankin kotai*, or alternate attendance, system instituted in Japan during the Tokugawa period. Most traditional accounts of the *sankin kotai* system—which included an important hostage element—portray it as a product of Tokugawa statecraft devised primarily for the coercion and exploitation of *daimyo*, or territorial lords, and control over a feudal order.¹ In addition, these accounts tend to take the distinctive stability of this era for granted. Given the chaos and bloodshed of the “warring states” period which preceded it, however, the phenomenon of 267 years of peace deserves a stronger explanation.

By pitting the conventional model of unilateral coercive power against one of interest convergence, this paper argues that the latter offers both a more historically accurate account and a more convincing explanation for the rapid economic development and spread of commerce in Japan during an era of self-imposed isolation from the outside world and markets. It explains that the *sankin kotai* system was largely an outgrowth of a preexisting

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institution which the Tokugawa regime inherited and transformed from a non-self-enforcing institution lacking in credible commitments, into a self-enforcing institution overcoming collective action problems. Whereas a non-self-enforcing institution is one in which participants may find the breaching of contracts advantageous, a self-enforcing institution is one in which the parties involved lack substantial incentives to violate the rules of the system. While the former inevitably leads to instability, the latter promotes stability. It is this stability, in turn, which advanced peace—a public good serving to lower transaction costs and generate positive externalities in a multitude of ways relevant to economic growth.

In short, the mutually reinforcing equilibrium² which resulted under the *sankin kotai* system enabled the Tokugawa regime to overcome the commitment problems³ inherent in rule over a land divided into more than two hundred sixty feudal states. The system harmonized relations between parties who otherwise would have been in actual or potential conflict and, in doing so, simultaneously laid the foundations for economic growth and the development of markets.

The self-enforcing nature of the *sankin kotai* institution, its role in harmonizing interests, its institutionalization of trust, and its role in solving credibility and commitment problems have not been examined explicitly in the literature. Lacking such an examination, the literature fails to satisfactorily explain Japan's economic transformation during this period. By asking to what extent one can understand the *sankin kotai* institution as a rational institution designed to promote mutual compliance ex post and allow for credible commitments ex ante, this paper endeavors to fill this gap. While elements of the explanatory paradigm employed in this article have an ex post facto quality about them, the model presented nonetheless enables us to delve deeper into the phenomenon of "pax Tokugawa" and uncover more of the rich complexity contained within the *sankin kotai* institution and the development of the early modern Japanese political economy.

In framing the *sankin kotai* system within the language of new institutionalism, this paper also places this well-known domestic institution of the Tokugawa era in comparative perspective and illuminates contracting problems faced historically by political actors everywhere. This methodological approach also helps juxtapose a functional story of interest convergence with one of unilateral imposition of a coercive structure. In the former, the *daimyo's* acknowledgment of the merits of cooperation leads to active compliance; in the latter, the actors have no choice but to support the structure.

The paper proceeds as follows. Section 2 describes the historical background and origins of the *sankin kotai* system. Section 3 examines the system as a self-enforcing solution to commitment problems through its converging of interests, while section 4 explores the economic role of the *sankin kotai* institution stemming from its embedded market-preserving interests. Section 5 looks at the factors that threw the system into disequilibrium, emphasizing the breakdown of the institution's capacity to act as a harmonizer of interests—a breakdown which led to the institution's downfall as well as to the downfall of the Tokugawa regime. Concluding remarks in section 6 place the *sankin kotai* system in comparative perspective and relate this case study to a broader institutional approach.

2. Historical Background : Origin of the *Sankin Kotai* System

In 1600, Tokugawa Ieyasu stabilized the unification of Japan through victory in the battle of Sekigahara and imposed an end to the disorder which had been endemic since the period of warring states began in 1467. An era of "pax Tokugawa" followed, lasting for 267 years.

Victory at the battle of Sekigahara strengthened Tokugawa's political authority to the extent that he was able to place all of the *daimyo*, or lords—formerly his peers—underneath his power and authority and assume new political privileges and responsibilities for himself. While Ieyasu relied on allies for support at Sekigahara, he was too wise to consider alliances alone a lasting basis of power.⁴ Ieyasu essentially filled a suzerain role following his victory at Sekigahara—that is, he asserted supremacy while permitting the *daimyo* to retain a high degree of autonomy. In essence, there was an exchange: the Tokugawa shogunate assured the *daimyo* that their privileges and autonomy would be maintained while the *daimyo* recognized the Tokugawa primacy. The system was thus a de facto federalist structure.

The so-called unification of Japan by Ieyasu was “in a sense a military truce with elaborate safeguards, under an alliance between two powerful groups of feudal lords or *daimyo*—those who fought with Ieyasu at Sekigahara and those who fought against him.”⁵ The victory at Sekigahara had allowed Ieyasu to expand the Tokugawa domains to cover approximately one-fourth of the land area of the country. Within these direct holdings, the shogun ruled absolutely; however, the remaining area was a scattering of domains—some owned by those who had fought with Ieyasu (the *fudai*, or inner lords) and the rest owned by those who had fought against him (the *tozama*, or outer lords)—and the shogun's power here was by no means absolute.

Yet, Ieyasu and his immediate successors, Hidetada (1579–632) and Iemitsu (1604–1651), recognized that extending their domains would not be the key factor in the maintenance of Tokugawa supremacy or peace in the long term and thus devoted themselves to establishing safeguards against all foreseeable threats to the power of the Tokugawa house. The chief source of danger stemmed from the *daimyo*. Though temporarily intimidated, the *daimyo* far outweighed the shogunate and its retainers; furthermore, they retained their territorial possessions and military resources and hence the potential for successful military revolt, especially if they could act in combination with one another.⁶ Thus, the early Tokugawa leaders sought means by which to weaken and divide the *daimyo* while bolstering the shogun's defenses.

The stability of the system and the two centuries of peace under Tokugawa rule was striking indeed, considering the position of modest superiority enjoyed by the shogun, the high degree of *daimyo* autonomy, and the absence of any shogunate judicial rights within the feudal domains of the *daimyo*.⁷ While the shogunate assumed exclusive authority over foreign diplomacy and controlled the minting of money and standardization of weights and measures, his administrative monopoly was not complete; his power to collect taxes, maintain local order, dispense justice, and manage the civil service was confined to his own domains.⁸ Against this backdrop of diffused legal authority and partial sovereignty, Ieyasu immediately set to work in 1603 to strengthen his own defenses and weaken his potential enemies by utilizing manpower and materials requisitioned from the *daimyo* to expand his castle at Edo.⁹ The primary device he utilized in place of territorial unity, however, was the *sankin kotai* system.

Under the *sankin kotai* system, each *daimyo* was required to keep his wife and heir permanently in Edo and to spend every other year there himself. The *sankin kotai* system bound the shogunate and the *daimyo* together, giving functional unity to the system and assuring that *daimyo* would abide by the terms of the peace which Tokugawa Ieyasu had effected.¹⁰ The centralized location of Edo and the relatively small size of the Japanese country made the *sankin kotai* system feasible;¹¹ the system clearly would have posed great difficulties in a country the size of China, for example.

Though the *daimyo* paid no fixed taxes per se under the system, they were obligated to provide assistance in the form of manpower and materials for the construction and maintenance of public buildings and works (shogunal and imperial palaces, castles, fortifications, dikes, levees, roads, etc.) and to present offerings to the shogun upon attendance at Edo and on special ceremonial occasions.¹² The obligatory gifts were prescribed in minute detail and thus were essentially compulsory; however, they were not considered a formal tax because the gift-giving was seen as a continuation of the custom of ritual tribute of vassal to lord.

Although first codified into law in 1635 under Tokugawa Iemitsu, the concept of *sankin kotai* appeared long before in classical writings. Indeed, it would be inaccurate to describe the *sankin kotai* system as a wholly original institutional device of the time, for its foundations had a long history :

The temporary attendance of feudal subordinates at the seat of their suzerain had been customary among the military class since ancient times, and such attendance was always enforced whenever there was a strong central authority. It had also been customary since feudal times for principal vassals to maintain permanent residence at their lord's headquarters. The practice of exacting hostages as a proof of faith had even earlier origins.¹³

In fact, the urbanization of early modern Japan was largely a by-product of the practice of holding hostages to assure the good behavior of one's allies.¹⁴

The custom of exchanging extravagant gifts was also rooted firmly in tradition. Hideyoshi (1536–1598) was known in particular for encouraging competition and division among barons in this regard. Thus, the *sankin kotai* system imposed by the Tokugawa household had immediate precedents—both at the national and local levels—which accounted in large measure for the ease with which they were implemented. Following Tokugawa Ieyasu's victory at Sekigahara, in fact, the *daimyo* began almost spontaneously coming to pay respects, and many built residences in Edo and submitted hostages on their own initiative.¹⁵ Thus, Iemitsu's legislation in 1635 merely elaborated and codified the details of an informal system to which the force of custom had made compliance virtually universal already.

3. *Sankin Kotai*: Self-Enforcing Commitment Mechanisms and the Consolidation of Tokugawa Power

The force of words [is] . . . too weak to hold men to the performance of their covenants; there are in man's nature, but two imaginable helps to strengthen it. And those are either fear of the consequence of breaking their word; or a glory, or pride in appearing not to break it.¹⁶

The *sankin kotai* system in its elaborated, codified form differed critically from the informal tradition-bound practices preceding it in at least one respect: it was self-enforcing. It has been argued that the notion of self-enforcement is critical to the consolidation of democracy and the success of elite pacts.¹⁷ I argue here that the notion

of self-enforcement was critical in the same way to the consolidation of Tokugawa power and the success of pacts between the *daimyo* and the shogunate in Japan during this period.

The elements which made the *sankin kotai* institution self-enforcing parallel the principles outlined by Hobbes in the quote above: a structure of converging interests wherein all parties have incentives to abide by an agreement for fear of the consequences of violating it; and the presence of norms constraining opportunistic behavior. In this way, the stability of Tokugawa rule required both the formal *sankin kotai* institution and its undergirding commitment mechanisms, as well as the appropriate set of civic and shogunal attitudes about this institution. In combination, the *sankin kotai* institution, civic attitudes, and constraining behavioral norms made Tokugawa rule and the accompanying peace¹⁸ a self-enforcing equilibrium.

First, let us turn to formal commitment mechanisms. While a necessary condition for mutual cooperation is that there be substantial gains from cooperation between players, this alone is insufficient.¹⁹ In the absence of a credible commitment, each player is a potential victim of the other and violent aggression will erupt when players see their choice as one between aggression and victimization. The integrity of the parties in honoring commitments is therefore very important in order to induce stability and cooperation.

The endemic violence of the warring states period served as evidence that prior informal institutions resembling *sankin kotai* were unable to provide truly credible commitments and thus were not self-enforcing in nature. In the Tokugawa era, the types of commitment problems faced by the shogun and *daimyo* were no different than those faced before. Yet, the results differed considerably. Let us therefore explore the reasons behind such different outcomes.

The *daimyo* faced two sources of anxiety: externally, each leader had to avoid defeat at the hands of neighbors, commonly known as *tozama daimyo*, or outside lords; internally, each leader had to retain control of his own body of followers.²⁰ Dealing with the external threat incurred information costs in the form of military intelligence and required adroit diplomacy. In relationships with *tozama daimyo*, diplomacy often took the form of alliance marriages and adoptions.

The exchange of hostages (typically one's wife or child) also served as a guarantee of good behavior. Obviously, however, the *daimyo's* ability to participate in this kind of diplomatic hostage exchange was limited. Monogamy was usual and although the number of heirs varied, an increase in the elasticity of credible hostages did not necessarily solve the problem: if heirs were numerous and scattered among various neighboring domains, their very number would serve to decrease the costs attached to default and so decrease the level of credibility or commitment ensured by the hostage exchange.²¹ Thus, the exchange of hostages could serve as a guarantee vis-à-vis only a limited number of *tozama daimyo*.

In gathering all hostages in the central Edo location, however, the *sankin kotai* system solved the problem of hostage inelasticity. No matter the number of wives or heirs, they were all held at this one location and equally vulnerable to harm, were their respective lords to default on commitments to other *daimyo* or to the shogun.²² Thus, the hostage element of the *sankin kotai* system was a critical element of the commitment mechanism.²³ In abiding by the *sankin kotai* arrangement, the *daimyo* were acting collectively as principals to overcome a collective action problem—the problem of shirking (attack) on the part of one *daimyo* against another. They had *mutual* interests in forging this type of relationship in which all had confidence. By empowering the shogunate with monitoring functions, individual *daimyo* enjoyed greater security and overcame the limits of natural *daimyo* relations, while significantly reducing information costs.²⁴

The *sankin kotai* system's institutionalization of trust lowered the probability of victimization to a negligible level, making it no longer necessary for *daimyo* to preempt victimization through the initiation of violence. It was a mutually reinforcing structure: each reduction in threat reduced the likelihood that others would preempt, which, in turn, reduced the benefits of initiating threat in the first place. By altering each player's incentives so that the interests of each converged, therefore, the system committed each player to abide by his promises and thus made peace self-enforcing. In this way, the *sankin kotai*'s mutually reinforcing system was effective because it established credibility on a nationwide basis.

The *sankin kotai* system also assisted in quelling the threat of internal disorder through its provision of immediate benefits and legitimation functions. Despite the disarming of the people, citizens retained sufficient resources to make possible significant contention due to the administrative autonomy of villages and the absence of any armed military or police force in the countryside.²⁵ Disorder from within the domain could be devastating even if it did not reach a level sufficient to overthrow the *daimyo*; in principle, domains were assigned to particular *daimyo* by the shogun and could be lost in peacetime by failing to maintain order.²⁶ Thus, the *daimyo* assiduously monitored local conditions.²⁷

The preceding period of warfare had been long and costly and therefore the peace brought by the system was an immediate benefit felt by all. The *daimyo* were therefore able to appeal initially for cooperation on the basis that the new system was a way out of the prior costly and unstable system. Recognition of the *daimyo* by the shogunate also served to legitimize the *daimyo* in the eyes of the people, and thus bolster his position as leader of the domain.

Next, I turn to the more familiar commitment mechanisms underlying the system — those institutionalizing trust between the shogun and the *daimyo*. However, because many scholars portray the system erroneously as merely a one-way tool of absolute control, it is important first to reiterate that the above-noted commitment problems *among daimyo* were addressed by the *sankin kotai* system. While the notion that hostages are demanded as a condition for dealing on favorable terms with the shogun has the appearance of an arbitrary exercise of power, the above assessment of contractual alternatives shows that the hostage system served the purposes of efficiency and that it was in the mutual interests of the *daimyo* and the shogun to achieve this result.²⁸

Initially, the *daimyo* may have submitted to the will of the shogun because they were both anxious to gain the favor of the Tokugawa household and fearful of the consequences of non-cooperation. Under Hidetada and Iemitsu, the shoguns demanded the assistance of the *daimyo* in expensive projects so frequently that the finances of even the wealthiest *daimyo* were seriously strained;²⁹ yet, such intimidation alone could not be expected to elicit cooperation in the long run. Moments of shogunal weakness or potential surprise would inevitably arise; therefore, some type of self-enforcing institutional mechanism was essential.

Through the system of alternate attendance, the shogunate was able to defend itself from an effective armed attack. The fact that it was able to call upon the *daimyo* performing *sankin kotai* duty in Edo at the time to assist in quelling any crisis that arose in the region gave it military superiority. Without these forces, the Tokugawa house was inferior to the massed military power of the outside domain and thus vulnerable.³⁰

The hostage system also served to prevent *daimyo* default in the form of attack. It was in the interest of each *daimyo* that no other *daimyo* attack Edo, even if that *daimyo* valued default over the loss of his own wife or heir, for doing so would place the wives and heirs of other *daimyo* in danger and effectively squelch any hope of a cooperative effort to overthrow

the shogun. Because *all* wives and heirs kept in Edo were at approximately equal risk of attack by *any* subset of the *daimyo*, this system further gave each *daimyo* the incentive to assist in policing the others. In doing so, it implicitly extended the intelligence and monitoring capability of the shogunate. It must also be noted that the policy of seclusion (*sakoku*) put into force by Tokugawa Iemitsu further promoted the unusually stable structure of interlocking interests between the shogunate and the *daimyo*.³¹ Seclusion prevented the *daimyo* from receiving material or moral support from outside which might be used against the Tokugawa household, and thus both simplified the monitoring process and lessened the chance of a unified attack against the shogunate.³²

The *sankin kotai* system had additional built-in means to assure that the commitment mechanism functioned properly. For example, it provided for checking stations (*sekisho*) to supervise the entrance of firearms into Edo and the departure of women who were “hostages” under the system. The financial burden incurred upon *daimyo* in their visits of homage to Edo also kept them financially weak and hence unable to bolster their own military to a level threatening to the shogun.³³ The system also decreased the possibility of a united *daimyo* effort to overthrow the shogun, by promoting jealousy and rivalry among the *daimyo*. A complex categorization and classification system determined the *daimyo*’s position within the assembly-halls of the shogun’s palace during attendance in Edo and the order of precedence at the shogun’s palace, on the roads in and out of Edo, and in the *daimyo* residences.³⁴ Such distinctions created embittered rivalry and division among the *daimyo*.

The stability effected by the Tokugawa shogunate had its roots not only in its network of formal institutions, but also in the legitimacy granted by tradition. While the Tokugawa regime borrowed many of the above tenets of the *sankin kotai* institution from the strategic policies of their predecessors, Hideyoshi and Nobunaga, the Tokugawa shogunate sought to establish a moral and legitimate basis for their power as well. By doing so, they elicited the appropriate set of civic attitudes necessary to make the *sankin kotai* institution fully self-enforcing.

Unlike Nobunaga and Hideyoshi, Tokugawa Ieyasu was, fortuitously, able to claim descent from the Minamoto line. In the eyes of the people, this claim placed him in a legitimate position to assume the title of shogun, a title which had been in abeyance since the death of the last shogun in 1597.³⁵ The concept of legitimate authority of the shogunate derived from the popular belief that the office was the surrogate of the sovereign emperor.³⁶ In short, the shogun was seen to stand between the emperor and the *daimyo*; the emperor served as a symbol, legitimizing the authority exercised by Ieyasu and his successors. Ieyasu’s claim to the title of shogun thus transformed what would likely have been pure “Tokugawa might” into “Tokugawa right” and obedience by force into obedience through duty.³⁷

The Tokugawa household also invoked this call to duty through an appeal to Confucian philosophical foundations. Introduced centuries earlier, the Confucian concept of a hierarchical society in accord with nature and its modeling of government upon familial relations had never been so appropriate for political purposes as it was now. Subjects were called to comply with the system, just as children were called to be obedient to their parents. A combination of tradition and ideology thus encouraged an attitude of respect and reverence for the *sankin kotai* system, despite its burden upon the *daimyo*.

Through this combination of formal mechanisms and legitimation factors, therefore, the *daimyo*’s part of the bargain became self-enforcing. The very fact that the system failed to be formally tested attests to its stability. A critical question remains, however. What made the

shogunate's part of the commitment self-enforcing, that is, what kept him from taking advantage of his position of public authority and shirking? After all, the shogun had not exposed his "specialized assets" in a reciprocal way.

Although the power of public authority exercised by the shogunate was essentially coercive, a cultural norm of benevolent rule or *jinsei* was at work in this era. It dictated that rulers take into account the interests and capacities of the ruled and made the shogunate's part of the bargain self-enforcing.³⁸ This norm of benevolent rule and moderation has been documented by scholars and acknowledged in numerous facets of Japanese economic and political life. Inoguchi, for example, contrasts Japanese norms of compromise in the early modern period with absolutist Europe at the same time.³⁹ Indeed, if one looks at the general characteristics of political or economic coalitions and rivalries in Japan throughout history, one sees that powerful groups able to impose their will often take into account the weaknesses and capabilities of the weaker groups. This is seen in the competitive business realm, where companies and financial institutions are rarely pushed to the point of collapse; in the area of welfare as well, very few individuals are allowed to "drop through the cracks."

This norm is perhaps most evident, however, in the behavior of the Liberal Democratic Party (LDP) in the postwar era. In dealing with the opposition, the LDP has felt a set of constraints that are not likely to have been felt in the West, where concessions to the opposition despite an obvious predominance of power are often viewed as "caving in" on the part of majority interests. A further example of this same norm at work can be found in factional politics within the LDP where, despite the fierce competition, a "winner takes all" attitude does not prevail.⁴⁰

So, too, this powerful norm constrained the behavior of the Tokugawa shogunate. Benevolence was a critical element of the Confucian idea of reciprocal obligation and, as mentioned above, the shogun found it in his interests to invoke ideological justification for Tokugawa authority through both the imperial investiture of the shogun and Confucian ideals. Because doing so convinced both the elite and the masses "that the politico-economic status quo was both inevitable and legitimate,"⁴¹ the norm served importantly in the eyes of the shogun as a tool for enhancing shogunal legitimacy. In this way, moral justification of rule was like a two-sided coin: on one side was the government's acknowledged mandate to rule; on the other was the government's obligation to rule benevolently.⁴²

The coexistence of these two elements made the norm self-enforcing. The norm had a constraining effect upon shogunal behavior because the shogun perceived that abiding by the norm brought benefits which balanced the costs incurred in restraining his exercise of unilateral power; therefore, he saw it in his interests to abide by it. Admittedly, Japan's isolation during this period allowed this cultural factor or norm to enter more forcefully into institutional arrangements than it might otherwise have; nonetheless, its self-enforcing nature interacted critically with the more formal self-enforcing elements of the *sankin kotai* institution, giving the system as a whole a stability very much in contrast to the preceding warring states period.

4. The Economic Role of the *Sankin Kotai* Institution: Embedded Market-Preserving Interests and Economic Development

In the language of the new institutional economics, political institutions that credibly commit the state to preserving markets underlie growth of a private market economy.⁴³ In Tokugawa Japan, the *sankin kotai* system tempered the autocratic nature of Tokugawa rule by inserting a contractual dimension in the relationship between state and society. In doing so, it eliminated the image of government as a predator confiscating private wealth upon a whim.

The *sankin kotai* system gave the Tokugawa shogunate an incentive to preserve the markets because it was only through the development of commercial and credit markets that he was able to make such taxing financial demands on the *daimyo* and be assured that they would fulfill those demands. The market system essentially enabled the shogun to enforce a system of alternate attendance which was above the financial means of even the wealthiest *daimyo*. This commitment to market preservation, the peace brought about by the commitment mechanisms detailed in section 3, and the flow of goods and people inherent in the alternate attendance system laid the foundation for unparalleled development in terms of production and commercialization for seventeenth century Japan.

The Japanese economy had been feudal in nature up to 1600; that is, production not consumed by the producers was bartered or sold directly to consumers. The *daimyo* extracted yearly rents in rice (tax rice) from the farming peasants because this was the most easily commercialized product. But prior to 1600, tax rice was sold within the rice markets of a *daimyo's* own domain and protective barriers kept outsiders from entering into domain trade. With the formalization of the *sankin kotai* system, however, the *daimyo* were forced to live a double life. Forced to pay for their residence in Edo and for the expenses of travel for large numbers of retainers, the *daimyo* now found the rice markets of their own castle-towns to be insufficient to generate the levels of profits needed to underwrite these extravagant expenses.⁴⁴ Thus, it became necessary to send the greater portion of the tax rice collected in the domain to larger markets, to be exchanged for merchandise or money. Barriers to interdomain trade were thus broken down at this time.

The *sankin kotai* system also had a direct role in stimulating the growth and prosperity of Osaka as the commercial center of the nation because it was in Osaka that most of the lords converted their rice revenues into money for their *sankin* expenses.⁴⁵ As merchants became intermediaries between producer and consumer, therefore, the *sankin kotai* system promoted the commercialization of the tax rice market.⁴⁶ Furthermore, the *daimyo* came to require credit from the wealthy merchants in the large cities; for security and to pay these loans, they had to ship their excess rice and other products out to a central market.⁴⁷ However, tax rice and other agricultural crops were marketed only at fixed times and the *daimyo* needed money throughout the year. Thus, a credit market developed wherein the Osaka merchants issued bills of exchange (*tegata*) whenever the *daimyo* needed money in Edo.⁴⁸

Accounts between Osaka and Edo could be settled almost entirely by bills of exchange because Edo merchants bought much of their goods from Osaka. Therefore they owed Osaka merchants, while Osaka merchants owed the *daimyo* in Edo. Not only was silver heavy to transport, but the use of bills of exchange obviated the necessity of weighing and determining the quality of

coins . . . The necessity of using bills of exchange served to enhance the importance of the merchants, particularly the various rice brokers and the operators of the money exchanges.⁴⁹

Thus, through the simultaneous impoverishment of the feudal lords and promotion of the wealth and power of the merchant class, the *sankin kotai* system further spread the money economy and drew the *daimyo* into the nationwide economy.⁵⁰ The financial burden imposed upon the *daimyo* extended even beyond that brought about through attendance and residence at Edo, for the shogun also had a policy of requiring the *daimyo* to participate in the construction of castles, dams, and emergency public works. These added significantly to the *daimyo*'s financial burden.

The stabilization of economic life during the Tokugawa era also stemmed from the establishment of peace. The system's institutionalization of trust laid the foundations for peace, which in turn led to a rise in population,⁵¹ an increased amount of land under cultivation, and greater agricultural productivity (because fewer resources were diverted to military use). The *sankin kotai* system also encouraged the settlement of merchants and artisans in castle towns and enabled a mercantile economy to flourish during the Tokugawa era, despite the country's isolation from the outside world. "In a Japan that was deliberately cut off from trade with the outside world, it was virtually the only stimulus to the growth of an internal commerce that was national in scope and to the development of industries which depended on more than a purely local market."⁵²

The *sankin kotai* system effectively transformed the Edo landscape and that of the country as a whole. The alternate attendance and hostage system lay at the heart of Edo's urbanization and contributed to its prosperity, expansion, and growth as a center for the transmission of ideas. By forcing a large consumer population to live semi-permanently in Edo, the shogunate simultaneously stimulated the mercantile economy of the city. The regular, long-term residence of the *daimyo* in the city meant the building of mansions and thus spurred a boom in land development. A large number of *daimyo* vassals were also dispatched to live in Edo and a number of local merchants and artisans typically followed. After the *sankin kotai* system was made compulsory in 1634, Edo boomed to metropolitan proportions. By the eighteenth century, Edo's population was over 1 million, as compared to London's population of 500,000–700,000 in 1700 and 865,000 in 1801. Thus, Edo claimed the title of largest city in the world from the early eighteenth century to the mid-nineteenth century.⁵³

The passage of people and goods, particularly between Edo and Osaka, also increased tremendously because of the system of alternate attendance, spurring a marked development in communications and freight transportation.⁵⁴ Travel routes were prescribed by the shogun as a defensive measure, so new towns sprung up along the routes leading from the various domains into the city. This account of economic growth meshes well with the functional and spatial model put forth by William Skinner, wherein trading systems impose a distinct form of organization on the economic geography of the region and serve to diffuse ideals and knowledge.⁵⁵ As described above, the *sankin kotai* system implicitly called for a particular marketing system structure which, in turn, had implications upon development at the local level.

The account of economic development described herein may also be reconciled with Thomas Smith's well-known analysis. Smith starts with the village farmer in his account of modernization in Japan during the Tokugawa era and attributes the growth of the market

with playing an important role in the spread of known agricultural techniques from the localities in which they had been developed to areas where they were previously unknown or unused. While Smith never makes mention of the *sankin kotai* institution in his work, mandatory alternate attendance in Edo undoubtedly served as a primary catalyst for the diffusion of the techniques which Smith highlights as being critically important.⁵⁶

In sum, the *sankin kotai* system's economic effects were numerous and far-reaching. It undergirded both absolute and per capita economic growth, as well as a more egalitarian distribution of wealth.⁵⁷ Furthermore, the system of alternate attendance played a critical role in the development of the commercial economy during this period. It spurred a metamorphosis from a feudal economic structure within a feudal political system into a capitalistic economic structure within a feudal system⁵⁸ and, in doing so, was instrumental in preparing Japan for the modernization of the nineteenth century.

5. Collapse into Disequilibrium

The *sankin kotai* system, with its stable interlocking interest structure, thus imposed order on Japanese society for an extended period of time. The "pax Tokugawa" equilibrium, however, would be disrupted in the nineteenth century with Japan's opening to the world and the failure of the *sankin kotai* institution to evolve in response to the changing opportunity structure. The self-enforcing nature of the system eventually collapsed, leading ultimately to the downfall of the Tokugawa shogunate.

While the conventional model of *sankin kotai* as the one-sided imposition of shogunal power would explain the breakdown of the system primarily in terms of eroded shogunal power bases, this paper argues that the breakdown originated not only in the skewing of *daimyo* incentives to cooperate vis-à-vis the shogunate, but also in the distortion of *daimyo* incentives to cooperate vis-à-vis one another. The commitment mechanisms which had made the *sankin kotai* system so effective in solving credibility problems among *daimyo* and between the *daimyo* and the shogun actually worked to the detriment of the samurai, or warrior class. In doing so, they also served to lower national defense capabilities.

The *sankin kotai* commitment mechanisms lowered costs, one cost being that incurred in the mobilization of huge armies. With credibility established, tens of thousands of samurai were disenfranchised as armies were demobilized during the seventeenth century.⁵⁹ Social discontent grew as *ronin*, or masterless samurai, grew in number and those who remained in military service lost the mobility and public esteem once accorded them. Peace had eroded both the material skills of the samurai and the military power of the state; thus, military threats from outside had a significant skewing effect on the interest structures of *daimyo*. In this way, the very success of the system was paradoxically responsible for much of its undoing in the long run.

No longer did *daimyo* simply have to worry about becoming a victim of a neighboring *daimyo*'s hostility; the threat of attack from an actor not constrained by a *sankin kotai*-like institution introduced a new variable into the equation and created the potential scenario of one's neighboring *daimyo* secretly forging alliances with outside powers in order to weaken or overthrow others. Such a situation inherently made identification of shirkers more difficult as well; one would inevitably question whether a hostile external power was acting alone or in alliance with one's neighbor. The new situation also raised suspicions among the

daimyo and led to the divergence of *daimyo* interests; no longer could the alternate attendance system effectively overcome the collective action problems inherent in interdomain relations of the time.

The growth of the commodity market under the *sankin kotai* system also led to a situation in which the shogunate and *daimyo* increasingly found their tax revenues based on rice productivity to be insufficient to cover their growing expenditures. Even without such increased expenses, the authorities would have experienced decreased revenues, for agricultural development during this period led to lower rice prices at a time when taxes were still collected or denominated in terms of rice.⁶⁰ Concomitant rising expenses and decreasing revenue therefore served to continually elevate the societal position of merchants and creditors. The asymmetric growth of the power of the merchant class and the concomitant shrinkage in power of the warrior class facilitated the devolution of the *sankin kotai* system from a self-enforcing institution to one which was no longer self-enforcing.

Parallel with the widening domestic social gap, foreign countries began to press the Japanese government to open the country to the world. The Russians arrived on the Kurile Islands, attempting to establish trading relations. Other countries, such as Great Britain, which were operating whaling ships in the North Pacific Ocean, requested food and supplies. With the arrival of foreign powers in the waters around Japan, the shogun imposed a coastal defense burden upon the *daimyo*, which led to increased fiscal strain and spurred an increased tax levy on the populace. This, in turn, sparked popular resistance in several areas, which increased the chances that the land overseen by the *daimyo* in charge would be expropriated by the shogun. In short, many *daimyo* were caught between a rock and a hard place, unclear as to the most advantageous course of action.

Finally, with the arrival of Commodore Matthew Perry and his fleet in 1853, the Tokugawa shogunate recognized that a policy of seclusion was no longer feasible. Acceding to foreign demands, however, undermined legitimacy and, in the mid 1860s, the Choshu domain rebelled. While the shogun ordered a number of *daimyo* to launch a military campaign against them, this campaign was unsuccessful, further undermining the power of the shogun. Indeed, such mobilization of the military was costly to those involved and meant raising taxes and squeezing merchants for credit, which again led to popular contention and a loss of support within their own domains and from the shogunate itself. In short, most *daimyo* faced increased fiscal distress because they were reluctant to further exploit the populace for fear of popular resistance.

The system had maintained a striking equilibrium up until this point, but the consensus of the structure would collapse as the fear of foreign intrusion began to permeate the minds of the *daimyo*. For half of their adult lives, the *daimyo* and many of their retainers were away from their castles and many of these castles were at key defense points. The strength of Tokugawa rule under the *sankin kotai* system lay not in its capacity to fight but in its capacity to keep a fight from starting (to solve commitment problems and promote the mutuality of interests). It thus was effective during Japan's period of isolationism, but when outside factors such as foreign threats intruded upon the system, it was unable to respond effectively. In short, institutional inertia in the *sankin kotai* system did not permit the *daimyo* to confront this new danger.

Decline in the system was widely evident before its actual collapse; intellectual critics became increasingly louder and more widespread. The maladaptive nature of the system meant that the *daimyo* were in a position to haggle with the shogun for a temporary relaxing of the *sankin kotai* system. This relaxation, however, dealt a mortal blow to Tokugawa control. Released from their attendance duties, *daimyo* began to gather in cities such as Kyoto and plot actively against the

shogunate. Later attempts to reestablish the system would fail. When the *sankin kotai* system was abolished in 1862, the large merchants in Edo lost the basis for their commercial activity and political confusion undermined confidence in commercial activity.⁶¹ With the collapse of the *sankin kotai* institution, therefore, came the collapse of market-preserving interests and a halt to the rapid economic growth which had characterized the Tokugawa period. The violence following the long period of Tokugawa peace signaled a breakdown of the institutionalized trust of the era and the eventual downfall of the Tokugawa *bakufu*.

The *sankin kotai* institution was not the kind of specialized governance structure that promoted harmonious adaptations. As a complex contract, it was invariably incomplete; while some of the contingencies that arose with the changing environment and power dynamics may have been foreseen, to admit such potential future contingencies as foreign encroachment, shifting social dynamics and the like would have undermined the legitimacy of the shogun at the outset and likely foiled initial cooperation. Thus, the shogun failed to acknowledge significant contingencies in the system, making the preservation of continuity in relations in response to changing conditions nearly impossible.

It is critical to reiterate that the portrayal of collapse described above differs in important ways from that put forth in the conventional model. Although the physical manifestation of violence brought about by a self-enforcing mechanism falling into disequilibrium is indiscernible from that brought about when simple brute force finally fades, the latter explanation is not easily reconcilable with the spread of the market economy and economic growth which took place during this period. Indeed, evidence abounds that institutional mechanisms have outperformed brute force in attaining national economic growth⁶² and the record suggests that this was the case in Tokugawa Japan as well.

6. Conclusion

This paper provides the theoretical perspective and empirical support for the endogenous mutual cooperation and peace in Tokugawa Japan and elucidates the conditions that facilitated development of Japan's modern political economy. It shows that the *sankin kotai* institution effectively overcame credibility and commitment problems by shifting actors' incentive structures and harmonizing conflicting interests. In doing so, it implicitly places the *sankin kotai* institution in comparative perspective, viewing it in light of the universal problems faced by political leaders everywhere. Let us take a moment to make this comparison explicit, however, by contrasting the *sankin kotai* arrangement to a system instituted in seventeenth-century France by Louis XIV. Doing so serves heuristic purposes, for the latter arrangement shared numerous properties but had a very different record of success.

Louis XIV compelled his nobles to reside at Versailles in order to divert their attention from local affairs and decrease the possibility of an uprising against the king. As the financial demands of the *sankin kotai* were calculated to weaken the *daimyo*, so too the hectic and brilliant life of the court at Versailles was calculated to bring French nobles into crippling debt. Yet, while Tokugawa Japan's economy flourished peacefully under the market-preserving interests supported by the *sankin kotai*, the later period of Louis' reign was one of severe economic difficulties and constant war with the outside. The difference in results can be found in highlighting what the *sankin kotai* institution had that Louis lacked: constraining behavioral norms or institutional features which prevented an exertion of absolute

power, that is, credible commitments to make Louis' part of the bargain self-enforcing; an incentive structure to effectively promote a long-term equilibrium among nobles at the local level; and the ability to effectively control the incentive framework of nobles (constant foreign influence and contact precluded such control in France).

While the above illustration highlights the fact that the key components of the *sankin kotai* institution were grounded in universal principles, one must nonetheless acknowledge that the particular shape and longevity of the institution set it apart as distinct. Indeed, the particular shape it took was largely dependent on historical factors such as the imperial institution and the Confucian tradition; furthermore, the extent to which these factors permeated the functioning of the institution can be attributed largely to Japan's isolation during this period. The institution's longevity as well may be linked to this unusually prolonged period of isolation from the outside world, which insulated incentive structures from destabilizing sudden shocks.

These observations bring us back to the paper's threefold thesis. First, analyses of the Tokugawa period which attribute the long period of peace and stability simply to the formal institution of *sankin kotai* overlook the synergistic forces at work which made the system self-enforcing. As shown above, the key to the stable equilibrium of the period which gave birth to Japan's modern political economy lay in *both* the *sankin kotai* institutional mechanism which undergirded Tokugawa rule and the ideological claims and behavioral norms that gave legitimacy to this system and constrained shogunate behavior. Without this combination of institutional and normative self-enforcing elements, the system as a whole would not have been self-enforcing and enduring for two centuries.

Second, any portrayal of the *sankin kotai* system as a tool of Tokugawa statecraft devised merely for the exercise of coercive power misses much of the picture. While the *sankin kotai* system facilitated cooperation on terms favored by the shogun, it nonetheless provided solutions to commitment problems faced by *both* the shogun and the *daimyo*. It overcame not only the predatory propensities of the shogun vis-à-vis the *daimyo* and vice versa, but also overcame the hazards of opportunism posed by *daimyo* vis-à-vis one another.

The *sankin kotai* system was therefore not a political tool wholly monopolized by the shogun for a furthering of one-sided interests, but rather a tool which pooled interests and monitoring functions in order to decrease the vulnerability of the *daimyo* and the shogunate to attack. Although the costs and benefits were indeed distributed asymmetrically—with the shogun controlling the contractual terms in the relationship—the *sankin kotai* system was not an arbitrary exercise of power, but an efficient systems solution to the initial contracting dilemmas. This fact holds regardless of who originated the proposal for such a system. The *sankin kotai* system was therefore a model of interest convergence, a system simultaneously serving the interests of both parties, albeit to differing degrees.

Third, while the increased flow of goods and services required by the system of alternate attendance certainly facilitated economic growth, the real key to the commercialization of markets and development of a capitalistic economic structure lay in the *market-preserving interests* embedded in the *sankin kotai* institution. It was in the interests of the shogun to promote the breaking down of trade barriers and the rise of the merchant class, for doing so enabled him to make severe financial demands on the *daimyo* with the assurance that they would be met. The political stability brought about by the alternate attendance system also supported the development of the transactionally-based relations so important in a market economy.

The *sankin kotai* institution was not able to provide the underpinnings of mutual trust and social cooperation following the opening up of Japan to the outside world in the nineteenth century. Survival of the institution depended upon the maintenance of a complex equilibrium in

a continually fluctuating environment and the readjustment of processes internal to the institution. Institutional rigidities and the refusal to acknowledge the potential for future contingencies at the outset, however, precluded an effective response to new exogenous variables and shifting interest structures, plunging the political system into decline.

While the *sankin kotai* arrangement was limited in its elasticity, however, it was not wasteful or one-sided to the degree so often portrayed in the literature. As a political institution which also effectively addressed problems of collective action faced by the *daimyo*, it gave rise to social and economic growth so striking that it could no longer be held within the system's confines. Like so many political institutions throughout history, the *sankin kotai* system inevitably lost its self-enforcing quality and became obsolete, tossing the country into instability and disequilibrium.

Notes

¹ This view is typified, for example, by Shinzaburo Oishi's essay, "The Bakuhan System" in Chie Nakane and Shinzaburo Oishi, eds., *Tokugawa Japan: The Social and Economic Antecedents of Modern Japan* (translation edited by Conrad Totman) (Tokyo: University of Tokyo Press, 1990), where he states, "The essential characteristic of the Tokugawa bakuhan system [of which *sankin kotai* was the centerpiece] is that it placed daimyo, who formerly were peers of the Tokugawa, under their absolute authority." (p.22). A notable exception to the portrayal of *sankin kotai* as an innovation of the Tokugawa era is Toshio Tsukahira's thorough work, *Feudal Control in Tokugawa Japan: The Sankin Kotai System* (Cambridge, MA: East Asia Research Center at Harvard University, 1966), which argues that the *sankin kotai* system was the natural outgrowth of preexisting institutions which the founders of the Tokugawa regime inherited and extended. Tsukahira's emphasis, however, is also upon the way in which the *sankin kotai* institution was utilized by the Tokugawa regime to serve its own power interests and does not address significantly the ways in which the institution served the interests of the territorial lords; neither does it analyze *sankin kotai* from the perspective of institutionalization of trust.

² It is important to clarify that the use of the term "equilibrium" here does not imply that the "pax Tokugawa" period was a static one in Japanese history; on the contrary, it was a period of extraordinary social change and economic development. "Equilibrium" here is equated with peace, while the preceding century of continuous civil war is equated with "disequilibrium." This paper thus assigns the dependent variable a dichotomous value: peace (equilibrium) or war (disequilibrium). It is the author's endeavor to explain why the dependent variable, or outcome, in this period took the value of the former, as opposed to the latter.

³ Commitment problems arise in the absence of a mechanism that adequately controls the possibility of one party being disadvantaged by the self-interested behavior of another. Lack of commitment gives rise to unstable expectations concerning the behavior of others and these unstable expectations, in turn, affect one's own behavior.

⁴ Conrad Totman, *Politics in the Tokugawa Bakufu 1600-1843* (Cambridge, MA: Harvard University Press, 1967), 54.

⁵ Charles D. Sheldon, *The Rise of the Merchant Class in Tokugawa Japan 1600-1868* (New York: J.J. Augustin Inc., 1958), 4.

⁶ Toshio Tsukahira, *Feudal Control in Tokugawa Japan: The Sankin Kotai System* (Cambridge, MA: East Asia Research Center at Harvard University, 1966), 6.

⁷ Totman, *Tokugawa Bakufu*, 33.

⁸ Tsukahira, 13.

⁹ *Ibid.*, 7.

¹⁰ Conrad Totman, *Japan Before Perry* (Berkeley: University of California Press, 1981), 138.

¹¹ Toshio Chuda, *Sankin Kotai Dochuki (Journal of the Sankin Kotai Journey)* (Tokyo: Heibonsha, 1993), 9.

¹² Tsukahira, 20.

¹³ *Ibid.*, 30.

¹⁴ An additional political practice which contributed to the urbanization of early modern Japan was the requirement that one's vassals reside at one's castle.

¹⁵ Tsukahira, 35.

¹⁶ Thomas Hobbes, *Leviathan*, ed. C.B. Macpherson (New York: Pelican Books, 1968; Viking Penguin, 1986), 200.

¹⁷ Barry R. Weingast, "The Political Foundations of Democracy and the Rule of Law" (Hoover Institution, Stanford University), 1994.

¹⁸ Political protest during this era tended to be deferential even when significant. See James W. White, *The Demography of Sociopolitical Conflict in Japan, 1721-1846* (Berkeley: University of California, 1992), 51.

¹⁹ Barry R. Weingast, "Constructing Trust: The Political and Economic Roots of Ethnic and Regional Conflict" (Hoover Institution, Stanford University), 1995.

²⁰ Totman, *Japan Before Perry*, 138.

²¹ As Williamson (note 28) points out in his discussion of the hostage model in the context of producer-supplier relations, asset specificity is the key to efficient functioning of the hostage model as a commitment mechanism. The use of wives and heirs as hostages supports his argument that specificity due to physical features offers the most credible commitments. Extending Williamson's hostage model to the *sankin kotai* system reveals that simply paying off the shogunate rather than sending one's wives and heirs would have failed to assuredly engage the interests and the cooperation of the *daimyo* in the same way as sending truly "specialized assets." Therefore, the opportunities for *daimyo* to simply bribe their way out of posting hostages were limited, if they existed at all.

²² One might question the efficacy of such a hostage mechanism, given the commonly held perception that the value of a wife (or even the life of any human being) during this time in history was rather low. The reader can be assured, however, that a great deal of value was placed upon wives and heirs at this

time. Marriages were almost always strategic alliances and a commitment mechanism in themselves, binding together powerful families (typically two *daimyo* families). Behaving in such a way as to endanger one's wife, therefore, would destroy an important alliance and invite hostility and even attack from the in-law family. Likewise, an heir served as a symbol of union between two families. A great deal of emphasis was placed upon blood lines and a child could not simply be adopted and retain the same legitimacy as if he were the original heir.

²³ Nakai Chikuzan (1730–1829), a critic of the hostage-taking element of the *sankin kotai* system, offered an interesting alternative view of the practice—one based on moral and practical grounds. Nakai argued that if one party defaulted and hostages were therefore killed, the onus would inevitably be borne by the side that killed the hostages rather than the defaulting party. On the other hand, he argued, if hostages were spared despite default by a party, then there would be no value in holding them. Thus, he concluded that the holding of hostages would always effectively serve as a liability rather than as an asset to the shogun. (Tsukahira, 120).

²⁴ While this arrangement resembles the “fable of the barge” (See Mark Ramseyer and Frances McCall Rosenbluth, *Japan's Political Marketplace* [Cambridge, MA: Harvard University Press, 1993], 1), in which coolies hired overseers with whips to prevent each other from free-riding, it differs in that the *daimyo* were not actively seeking the particular arrangement embodied in the *sankin kotai* institution. They did not “hire” a common monitor as an agent but, rather, collectively recognized the role of agent imputed to the shogunate in this system. This acknowledgment of collective benefits accompanying the weighty burdens of the system was key to the system's effective functioning.

²⁵ James W. White, *Ikki: Social Conflict and Political Protest in Early Modern Japan* (Ithaca, NY: Cornell University Press, 1995), 55.

²⁶ Shinzaburo Oishi, “The Bakuhan System” in Chie Nakane and Shinzaburo Oishi, eds. *Tokugawa Japan* (Tokyo: Tokyo University Press, 1990), 22.

²⁷ Takashi Inoguchi, “The Pragmatic Evolution of Japanese Democratic Politics.” Paper prepared for presentation at the conference on Democracy and Democratization in Asia, Belgium, May 30–June 1, 1994.

²⁸ See Oliver Williamson, *The Economic Institution of Capitalism* (New York: The Free Press, 1985), chapters 7 and 8, for a more detailed discussion of hostage systems as an efficient systems solution.

²⁹ Tsukahira, 9.

³⁰ Totman, *Tokugawa Bakufu*, 52.

³¹ Totman, *Japan Before Perry*, 147.

³² While seclusion was not absolute with a small degree of foreign trade continuing through Korea and the island of Deshima near Nagasaki, the *sakokurei*, or exclusion edicts, effectively kept out weapons imports and secured a shogunal monopoly on foreign trade; the small number of foreigners permitted to engage in trade, as well as their Japanese counterparts, were required to secure licenses from Tokugawa authorities prior to such activities. In this way, the shogunate not only controlled numbers, but also extracted rents from the revenue generated by those granted such privileges.

³³ The most powerful of the *daimyo* was accompanied by several thousand retainers on each trip and the processions became occasions for competitive display, encouraging conspicuous consumption.

Each *daimyo* also typically had several mansions in Edo and in the case of the wealthiest *daimyo*, the permanent staff of these residences totaled over ten thousand by the middle of the eighteenth century. Kenneth B. Pyle, *The Making of Modern Japan* (Lexington, MA: D.C.Heath and Company, 1978), 24.

³⁴ Tsukahira, .27.

³⁵ *Ibid.*, 12.

³⁶ *Ibid.*, 11.

³⁷ The selection of characters used by the Tokugawa shogunate to write the word *sankin* reveals the shogun's recognition that perceptions of legitimacy were indeed important in order to make the system self-enforcing. The word can be written in two ways, one with characters rendering the meaning "to have an imperial audience" and one with characters giving the meaning "to render service." Both renderings were used, the latter being more traditional. The Tokugawa household, however, preferred the former, as it added an air of legitimacy to the obligatory system (*Ibid.*, 29).

³⁸ As Moe points out, the power of public authority—a feature which differentiates political institutions from economic ones—may make it problematic to apply economic analysis such as that found in the new economics of organizations approach: "In economic analysis, actors create organizations for themselves, and any authority relationships they choose to establish are structures of mutual advantage. While one actor may well turn out to be the boss of some of the others, the subordinates could walk away from the arrangement if they did not benefit from it. This benign role of authority influences everyone's calculations in the design of economic organization. Politics is different. From the beginning, public authority is simply 'out there,' and whoever exercises it has the right, backed by the police powers of the state, to force people to do their bidding." (Terry M. Moe, "Politics and the Theory of Organization," *Journal of Law, Economics, and Organization* (1991), 125). This paper's argument, however, demonstrates that normative elements such as those at work in Tokugawa Japan may serve to override this problem with the nature of public authority.

³⁹ Inoguchi's analysis suggests that the development of this norm can be traced historically, with a shift from Japanese-style absolutism to a new norm of compromise following the assassination of Oda Nobunaga and usurpation of Toyotomi Hideyoshi's power by Tokugawa Ieyasu. Therefore, the fact that this norm is inconsistent with the carnage of the warring states period does not invalidate its applicability here. While originating in the Tokugawa period, the norm nonetheless had a powerful constraining influence upon behavior from this time forth, as evidenced by the absence of conspicuous violations. See Inoguchi (note 27). It should be added that norms are not necessarily contrary to self-interests. Tokugawa Ieyasu's recognition that he was neither the most militarily nor economically powerful meant that it was in his interest to promote such a norm of self-restraint in order to consolidate his power upon a somewhat different basis than that used by previous rulers. The bloodshed in Europe stemming from absolutist attempts at centralization may have also served as a lesson to Ieyasu.

⁴⁰ For a glimpse into LDP factional matters which reveal such a prevailing dynamic, see Tohawa Isamu, *Shosetsu: Yoshida Gakko*, vols. I-III (Ryudo, 1974). Cabinet post allocations serve as evidence of this unwritten constraint on behavior.

⁴¹ White, *Social Conflict*, 35.

⁴² This benevolence was reflected in the way in which the shogun reacted to famine in various parts of the country. According to White (*Social Conflict*), the shogun ordered lords to ship rice to areas

affected by the 1732 famine and no resistance to this directive was encountered whatsoever (p. 43). Again in the 1835 famine, the shogun provided relief to affected domains, despite the fact that the shogunate was in heavy debt (p. 45). This benevolent behavior meant that the *daimyo* could not use famine as an excuse for failing to pay visits to Edo, and thus it preempted a potential testing of the system.

⁴³ The fact that authoritarian regimes in postwar Asia were rooted in such institutional commitment mechanisms, for example, is often cited by scholars as a reason why economies in this region have been so successful relative to the economies of others in the developing world.

⁴⁴ *Daimyo* commonly spent over half of their domains' tax income in order to comply with the alternate attendance system. Pyle, 14.

⁴⁵ *Ibid.*, 2.

⁴⁶ Toyoda, 47.

⁴⁷ Horie Yasuzo, *Kinsei Nihon no Seisaku* (Economic Policies of Japan in the Early Modern Period) (Tokyo: Yuhikaku, 1942), 65.

⁴⁸ Furthermore, "diminishing regional variations in the price of rice reflect the central role the Osaka rice exchange came to play in assuring commodity flows and price balances." White, *Social Conflict*, 67.

⁴⁹ Sheldon, 43.

⁵⁰ *Ibid.*, 19.

⁵¹ As White points out, the growth in this era was not constant, with rapid growth during the seventeenth century followed by extraordinary population stability during the eighteenth century and moderate increases again in the nineteenth century. The stasis in the eighteenth century and slow growth in the nineteenth, however, coincided with three great famines, the Kyoho, Temmei and Tempo, suggesting famine as an intervening variable in what might have otherwise been even greater growth. Thus, the Tokugawa period taken as a whole represents a period of significant population growth: estimates of population in 1600 range from 6 to 20 million, rising to 35 million by 1877. See White, *Sociopolitical Conflict*, 9.

⁵² Tsukahira, 3. Some limited commercial contact continued through this period, but the three exclusion edicts issued in the 1630s prohibited Japanese from traveling abroad, limited the size of ships built to dimensions necessary for coastal trade within national boundaries, and almost entirely severed Japan's ties with the outside world. Thus, the Japanese political economy developed in almost complete isolation over this two-century period. Pyle, 16-17.

⁵³ Toyoda Takeshi, *A History of Pre-Meiji Commerce in Japan* (Tokyo: Kokusai Bunka Shinkokai), 49.

⁵⁴ *Ibid.*, 51.

⁵⁵ William Skinner, Marketing and Social Structure in Rural China, Association for Asia Studies Report Series, no. 1 (Reprinted from *The Journal of Asian Studies* [November 1964], 24:1, 3-43; [February 1965] 24:2, 195-228; [May 1965] 24:3, 363-399) and cited and described in Daniel Little, *Understanding Peasant China* (New Haven Yale University Press, 1989).

⁵⁶ Smith also cites other factors such as urbanization and the improvement of commercial organization and transportation as exogenous variables which made it increasingly easy for the peasant to market his produce and dispose of his surplus—a critical development in the modernization process. Likewise, he cites the development of the market as a source of the breakdown of cooperative agricultural groupings. Again, however, these variables of urbanization, growth of the market, and such can also be treated, as they are in the body of this paper, as outgrowths of the *sankin kotai* system. Thus, Smith's causal story is not in conflict with the account presented here; rather, it focuses on a different end of the causal chain. See Thomas Smith, *The Agrarian Origins of Modern Japan* (Stanford: Stanford University Press, 1959).

⁵⁷ Anecdotal evidence also suggests that a rise in the standard of living occurred at this time. See White, *Ikki*, 63, 68.

⁵⁸ Sheldon, 2.

⁵⁹ Chuda, 148.

⁶⁰ As White points out, the standard measures taken in response to such a decrease in revenue—such as increased tax rates—all provoked popular resistance. Therefore an ironic dynamic was at work: economic development facilitated by the *sankin kotai* institution itself spurred eventual administrative weakness. White, *Sociopolitical Conflict*, 54.

⁶¹ Toyoda, 97.

⁶² See, for example, The World Bank's *The Asian Miracle*.

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