Economics in World History: Two Success Stories

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The objective of this essay is to assist secondary school world history teachers in helping students develop an understanding of basic economic concepts through learning about two successful pre-industrialized economies: The Florentine Republic and Tokugawa Japan. We include a short introduction about the importance of integrating economic concepts in history instruction; narratives suitable for teachers and many high school students on the economies of the Republic of Florence and Tokugawa Japan; and an annotated list of pedagogical resources suitable for more extensive study of both societies.

Key Words: entrepreneur, economic freedom, guild, institutions, merchants, taxes

Introduction

While understanding basic economic concepts and their applied role in fostering prosperity is a fundamental part of civic and historical literacy, it remains an unrealized educational goal for many Americans. Relying on school economics courses or state-mandated tests has proven to be an inadequate approach for combating economic illiteracy. A 2009 Council for Economic Education national report found that only 21 states required an economics course for high school graduation and 17 states mandated any kind of state economics testing (Council for Economic Education, 2009). Researchers in a separate national study in the same year found that, of 1,201 high school teachers, respondents reported that only 25 percent of economics students were required to take state tests - the lowest percentage among four social studies subjects included in the study (Leming, Ellington, Schug, & Dieterle, 2009 p.vi). Clearly, a more broad-based educational strategy is needed to improve economic knowledge. The incorporation of economic content into the history classroom can be both a practical part of a broader economic education strategy as well as an innovative pedagogical strategy.

Economics in the History Classroom

Student demographics and the motivational potential of economic content make the high school history classroom a promising venue. More states require world history for graduation than economics, and, as of 2003, the majority of high school graduates took world history (Bain & Shreiner, 2003). U.S. history is required in 49 of 50 states. U.S. and world history respectively ranked first and second in national percentages of students who took state tests followed by civics with economics last (Leming et.al, 2009).

Although some economic content is usually present in every history course, texts, state standards, and curriculum materials relating to economics often are quite general and ignore vital concepts that students can learn through exploring topics such as merchants and private enterprise, the function of prices, the relationship of institutions such as government and
education to the economy, and the intended and unintended consequences of government policies on human economic activity. Integrating economics into history courses also is potentially an antidote to a perpetual complaint of many young people about history courses; they see no connection between studying the past and their present lives. Learning about merchant caravans on the Silk Roads, business in medieval Florence, or the array of private entertainment available in the cities of Tokugawa, Japan, can capture student imaginations and humanize history as students learn that historical human wants, needs, and actions are similar to our own.

It is important for students to focus upon economics in history both before and after the industrial revolutions that began spreading in the 19th century. Despite massive changes in the scope and scale of enterprises since industrialization, learning about human economic activity throughout history provides students with rich insights into how material wealth is created. Students, for example, learn that societies that did not primarily become wealthy through expropriation invariably had robust private enterprise activity and generally supportive government and educational institutions.

The remainder of our discussion, divided into two parts, is intended for world history teachers and students. First, is the story of two pre-industrial societies that achieved high relative levels of prosperity for hundreds of years: The Florentine Republic (1115-1532) and Tokugawa Japan (1603-1867). We also include as an appendix, an annotated list of digital teaching resources that focus upon each society.

The histories of The Republic of Florence and Tokugawa Japan are significantly different in important ways. The Florentine Republic experienced intermittent domestic and international turbulence as well as a catastrophic plague. Tokugawa Japan, by contrast, experienced over 250 years of national peace and stability. The Florentines had a republican government of sorts while a powerful shogun and approximately 250 landed nobles ruled Japan during the Tokugawa era. Yet, both were affluent societies.

**Prosperity amidst Chaos: The Florentine Republic**

*It (Florence) was an urban island in a feudal sea.*

*(Goldthwaite, 2009 p.25)*

**Introduction: Pomp, Art, and Money**

Through some of Florence’s history, the place known in the high European middle ages as the “City of the Red Lily” enjoyed the most successful economy in Europe. Despite the rise of competitors, periods of political intrigue, and a pandemic that devastated Florence, this affluent and colorful city resplendent with parades, fairs, and festivals, managed to produce much of the wealth that helped to fuel one of the most enduring artistic and intellectual achievements in world history: the Italian Renaissance. Writers, artists, and architects were able to pursue their crafts because of successful bankers and merchants who were their patrons.

Florence’s economic power was both versatile and built upon decades of gradual but steady human accomplishment. Economic activity was stimulated in part by changes in government. Early small group consuls who governed Florence before the 1100s were not particularly different than those in other medieval locales because the composition was limited exclusively to aristocrats drawn from leading landholders. As the city economy expanded, representatives of guilds representing trades and industry who were elected by their members, along with prominent merchants and bankers elected by their peers, assumed political leadership.
and in the early 12th century created the Florentine Republic. By the time feudal lords completely lost political power in the 1100s, Florence was well on its way toward becoming prosperous.

Florentines and the immigrants, who flocked to the city for work, produced enormous amounts of textiles, its merchants and bankers did business on three continents, and for a period of time, the florin was a leading international medium of exchange. Florentines grew their economy despite inherent regional disadvantages. On the eve of its ascent beginning in the 12th century, Florence was a sleepy provincial town compared to Pisa, Genoa, Venice, and Milan. The city was inland—Florence would not have dominion over a port until the 1400s—and while the agricultural land around the city could sustain the growing urban population, the soil was not particularly fertile; olives and grapes, rather than wheat, were suitable crops (Brucker, 1969).

In addition to occasional wars with neighboring Italian city-states, Florence experienced domestic intrigues and armed uprisings between factions loyal to, at times, foreign or papal interests, that led to coups and resulting revolutions and counter-revolutions. These events were bad enough but were dwarfed by the Black Death. With a population of 100,000 in 1338, Florence was victimized seven times by that infamous plague which reduced the city population to approximately 50,000. By the early 1400s and the beginning of the Italian Renaissance the city only had grown to only about 65,000-70,000 people (Brucker, 1969). Despite the diminished population, the economy generated ample wealth for what would be the cities’ most lasting achievement: a major role in the Italian Renaissance.

Florence’s Economic Rise

Between the 11th and 13th centuries, money-lenders engaging in the Church-condemned practice of usury were, in some ways, the unsung heroes who began the process of economic development that would later make Florence the economic center of Europe. These providers of a valuable service, often labeled as criminals or heretics because of the prejudices and religious restrictions of the day, acquired legal control of the agricultural lands in Tuscany, the region which encompasses Florence. They often acquired the land from improvident, often illiterate, feudal lords who were forced to borrow money using their land as collateral and failed to repay their debts. Some of the methods money-lenders used were unsavory, some were not. In part because usury was official sinfulness and money-lenders risked being burned at the stake as heretics (the enforcement was selective), interest rates were high and the supply of money often scarce. Feudal aristocrats with new tastes for luxuries acquired during the Crusades were eager customers of money-lenders. Borrowers were obligated to pay 30-40 percent interest per annum on loans and frequently lost their land (Schevill, 1936). As the aristocrats lost political power in the Florentine Republic’s government to town people, unsurprisingly, more and more of the new merchant elites looked the other way regarding the supposedly heretical act of money-lending.

By the 13th century, the newly empowered money-lenders first attempted to become aristocrat/farmers. Despite using their education and skills—successful money lending requires literacy, numeracy, and business acumen—improving the productivity of their newly-acquired estates was difficult. The middling Tuscan land quality limited these former usurers’ revenues even though they managed estates much more efficiently and earned more money than the former estate holders. In a decision that subsequently proved positive for both themselves and the city, many money-lenders retained their land but transformed themselves into merchant-bankers. Florentine merchant-bankers first successfully traded for wheat in Sicily and Naples.
and then expanded into much of Europe, portions of Western Asia, and North Africa. Small Florentine business communities appeared in cities ranging from Paris, London, and Constantinople, to small towns. These merchant-bankers dealt in virtually any article for which there was a market including leather, weapons, salt, spices, wheat, wine, and linen. Simultaneously, they operated banks, lending money to foreign private concerns as well to as governments (Schevill, 1936).

Life for the Florentine merchant-bankers in foreign territories often was not easy as they struggled with hostile governments, outlaws, and foreign competitors. Governments often were the worst obstacle, and a standard policy of many governments for much of the 13th century was that, if a Florentine merchant failed to make a payment, the authorities could expropriate the debt from other Florentines. This practice, in part through economic pressure Florence could exert on other states, was eventually replaced by a revival of the old Roman law that payment must be exacted solely from the individual who received the goods (Schevill, 1936).

Competency in both trade and banking constitute important reasons why Florentine merchant-bankers were able to build and maintain these impressive networks. Merchant-banker’s attention to transaction cost-reduction, reduction of risk, reliable exchange of goods and services, enforcement of contracts, and defense of property rights had positive domino effects on the locales where their networks existed. Foreign economies improved because of the Florentines’ presence and cultures changed as the Tuscans promulgated bourgeois values conducive to business success among many Europeans, Africans, and Asians with whom they dealt (Goldthwaite, 2009).

The establishment of the merchant-banker networks was impressive in itself but by the 12th century textile manufacturing was another major economic impetus for Florence’s growth. The rise of this industry resulted in a quadrupling of the population of the city and the employment of 30,000 workers by 1338 (Brucker, 1969). The entrepreneurs who started the industry were importers of foreign-produced wool clothing using locally produced dyes to refinish the product while also learning how to make textiles. Florentines engaged in the trade then developed their own production method and began importing raw wool. The cities’ international merchant-bankers played a role in the industries’ rise by providing capital for the producers. Merchants obtained wool from the most high quality sources, such as Spain and then London, and helped market the Florentine finished product. Later, as demand for wool textiles dropped and demand for silk textiles rose, Florentine textile entrepreneurs quickly adapted to these developments by producing silk.

Florentines began as money-lenders, transformed themselves into merchant-banker adventurers, and, - in two to three generations, - had established sophisticated international organizations that allowed company leaders to remain in their Florence offices and manage the networks. As time passed, only a few of the largest companies maintained banks but the efficiency and quality of their operations set a high standard for the rest of Europe just as the gold Florin became the dominant European and international currency.

The rise of the gold coin, the Florin, first issued in 1252, was tangible testimony to Florence’s economic power. Unlike most European locales, Florence’s wealth allowed the accumulation of a large supply of gold that, in turn attracted artisans who had the skills to mint attractive coins. Also, the city issued a credible guarantee of the coin’s fixed value in both weight (approximately 3.5 grams) and purity (24 carats). The Florin was an immediate success on the
Italian peninsula and 20 years after its initial issue, was the required medium of exchange for real estate transactions in Rome. The Papacy officially established it as its preferred currency. Use of the coin spread rapidly to the rest of Europe. In 1340 and again in 1343, the king of France tried unsuccessfully to ban its use but, by 1346, had assigned the Florin an official value for ordinary transactions. The power of the Florin increased the power of Florentine banks (Goldthwaite, 2009). For the first time since the Frankish King Pepin issued the Denarius in the 8th century, Europe had a universally recognized form of money (Gascoigne, 2001). The Florin also was used in Western Asia and parts of North Africa making it an international medium of exchange.

**Why Florence and not other European Cities?**

In order to better understand Florence’s economic achievements, contrast the “City of the Red Lily” with a “typical” medieval European city. Various economic activities in most medieval cities were much more stringently controlled than in Florence. In a typical medieval city, the combination of government, guild, and ecclesiastical regulations, often strictly enforced, composed a web of restraint on individual and group action. Guilds for numerous occupations limited entry and determined rules of trade for practitioners. These regulations often meant close scrutiny of members, product production quotas, and fixed wages and prices to guarantee members “fair” shares in a limited market. Membership was limited to one guild and success was narrowly defined as working one’s way up from apprentice to journeyman to master in a single trade or profession. Guild rules or government regulation forced shops and factories to locate in sections of cities exclusively reserved for a particular trade. In addition to guild and government strictures, ecclesiastical investigators impeded capital flows by searching for individuals engaged in usury (money lending) because the church branded the practice sinful.

By contrast, in Florence guilds, government, and the church were lax in passing such regulations and enforcing existing ones. Freedom of occupational entry was possible since, in Florence, one could belong to two, three, or even more guilds, thereby creatively engaging in several enterprises. For example, late 14th century attorney, Alessandro dell’Antella practiced law, was a partner in a trading firm, and formed a second separate partnership to import Greek wine in bulk and sell it retail in France (Brucker, 1969). This was a typical Florentine practice and because of the absence of stifling guild and government regulations, entrepreneurs engaged in a wide variety of economic pursuits and freely hired employees as well. A merchant or successful artisan might have various city and rural real estate ventures and the guilds, political authorities, or the church would not object. This climate of relative liberalization meant entrepreneurs could much more rapidly respond to economic crises and new opportunities.

As was the case in many of the larger medieval urban areas, numerous practitioners of occupations were not forced to join guilds but the situation seems especially true in Florence. A few examples of types of occupations free from any guild regulations, included flour mill operators on the River Arno, street pavers, money changers who worked outside the city, and manufacturers of gun powder for cannons (Brucker, 1969). The city of Florence was also organized based upon historic family and clan location, rather than on occupations and trade. A variety of enterprises could be present in any given neighborhood making it much more difficult for guild regulators to systematically enforce “one size fits all” policies for tradesman.

Florentine merchants, manufacturers, bankers, and entrepreneurs used leading edge management, technology, and financial tools such as state of the art dying and mint equipment, double entry book keeping, checks, bills of exchange, and the most impressive financial record-
keeping in Europe (Goldthwaite, 2009). The city also had a long tradition of the presence of competent lawyers. Attorneys and merchants collaborated on creating rules of transactions including establishment of transparent contracts, always important for market economies.

Impressive levels of education relative to other medieval towns and cities also contributed to Florence’s impressive economy. Between one fourth and one third of Florentine males could read, which was a high literacy rate in the Middle Ages. Boys aspiring to enter business first finished grammar school at about age 10, then attended a special arithmetic or abacus school, and were subsequently apprenticed in a firm. If the company or bank was involved in international business networks, a posting abroad also was considered part of a young man’s training (Brucker, 1969). Future managers thus had sequential liberal and technical educations complemented by one or even two types of “on the job” training.

Although the tax system varied throughout the Republic’s history, it tended to favor business interests and work to the disadvantage of large landowners who had no other source of income. First imposed at the end of the 13th century, indirect fixed taxes on goods passing in and out of the city, notarized contracts, wine sales and processing, other foods, and on retail sales, became the city’s major source of income. Indirect taxes seemed to work well for Florence since they could be regularly collected and all residents paid equal rates (Goldthwaite, 2009).

Given substantial economic freedom complemented by a strong currency, high quality textile manufacturing, solid legal institutions, a fair tax structure, and high levels of education, it is not surprising that the city was famous in Europe and elsewhere for its business acumen and competitive environment. As time passed, leading banking and merchant families of one generation were quite likely to be replaced with other families and clans. Great banks and firms went bankrupt only to be replaced by equally powerful concerns. Although, after the Black Death, the Republic never gained its previous astoundingly high levels of international economic influence, it is particularly impressive that despite devastation, the Florentine economy could yet again become rich enough to supply the capital that helped to create the Renaissance.

Foreign wars and domestic turmoil eventually brought about the end of the Republic of Florence in 1533 when Holy Roman Emperor Charles V and Pope Clement VII, converted the Republic into a duchy ruled by a single sovereign. Florence’s economy would never again match the achievements of the Republic when the combination of entrepreneurship and economic liberalization benefitted the city, Europe, and the world.

**Prosperous and Stable: Tokugawa Japan (1603-1867)**

_The popular conception of people living for centuries under a system of picturesque feudalism and suddenly awakened to practical ambitions by the guns of foreign warships is far from the truth._

_G.C. Allen (1981, p. 15)_

In the over 250 years that preceded Japan’s wholesale contact with the West and its industrialization, despite significant cultural, and some economic differences, with medieval Florence, the two economies had many similarities. Although between 75 and 80 percent of Japanese people lived in rural areas, the Tokugawa economy, like that of the Florentine Republic, was vibrant and sophisticated in many respects. It fostered national and international markets, widespread rural, and some urban, small manufacturing, a large urban commercial sector, and a national transportation system. As in Florence, the large majority of commoners did not lack basic necessities and not only the affluent, but a substantial middle class, had access
to a variety of luxury goods. The Tokugawa era, named for Tokugawa Ieyasu—who unified Japan after a century of civil war, assumed the title of shogun, and whose 14 descendants successively occupied the shogunate—was not only the longest continual era of peace in Japanese history, but also brought Japan to previously unrealized levels of prosperity (Hooker, 1996).

**Government, Society, Education, and the Economy**

As is the case with any successful economy, government and other institutions, most notably education, played key roles in making Japan more affluent. The Tokugawa Shogunate, headquartered in Edo (present day Tokyo) was authoritarian but not totalitarian. Shoguns could not wield absolute power since the central government only directly controlled slightly more than 25 percent of Japan. Hundreds of daimyo, or great lords, ruled tracts of land called hans, ranging in size from a few square miles to much larger territories. The shogunate wielded significant power over the three quarters of Japan presided over by daimyo, but the national government’s military forces were not strong enough for shoguns to enjoy absolute sovereignty. Divided powers tended to work to the economic advantage of the approximately 260 hans in existence for most of the Tokugawa period (Hall, 1991). Powerful daimyo made central government control mechanisms, such as regular han inspection tours, crumble by the end of the first century of rule. The shogunate promulgated an interminable number of nanny-state regulations and injunctions about appropriate clothing styles, kindness to animals, and the dangers of overeating, but most were ignored as the era progressed.

Primarily to keep his eyes on potentially rebellious daimyo, Tokugawa Ieyasu initiated and did enforce, an alternating attendance policy, or sankai-kotai, that required each daimyo to spend every other year in Edo. Although the direct objective of sankai-kotai was to strengthen the shogunate, the policy had the unintended consequence of stimulating the central and han governments’ development and maintenance of five national highways. These highways quickly became a transportation infrastructure critical in creating national markets for a variety of goods and services. The Tokugawa Shogunate also managed, by the mid-18th century, to develop and implement an extensive national legal code that helped to systematize economic exchanges throughout Japan (Bolitho, 1983).

Neo-Confucianism, the shogunate’s official ideology, was the foundation of Tokugawa Japan and strongly influenced social structure, government, and education. Most historians and social scientists generally consider Neo-Confucianism’s fundamental emphasis upon self-cultivation and regard for family, a great stimulant for economic prosperity. Samurai, who constituted about seven percent of the population, were the favored class, followed by farmers and artisans. Merchants were theoretically the least socially acceptable of the major classes but were often left alone because of the necessary function they performed. This toleration of entrepreneurs provided the economic freedom necessary for successful enterprise.

Neo-Confucianism’s great affinity for the promotion of education also had direct positive ramifications for economic prosperity. Virtually all samurai studied the Confucian classics, but unlike the Chinese literati, they also learned military arts and were expected to serve the state as warrior-bureaucrats. The Tokugawa ‘great peace’ left Japan’s warrior class with nobody to fight, so samurai spent most of their time as local bureaucrats managing projects such as road maintenance, provision of water supplies, and collecting taxes for the central government.
Samurai, in part because of their Neo-Confucian education, proved to be well-educated and conscientious bureaucrats who were generally honest and efficient.

Education was available for far more people than samurai. Samurai attended special han schools but numerous types of schools were available for people of other classes. Terakoya, or temple schools, existed throughout Japan and imparted basic literacy, numeracy, and practical Confucian moral education to children from various walks of life. By the end of the Tokugawa period approximately 10,000 terakoya were in operation. Other examples of educational institutions included Confucian higher academies, miscellaneous village schools, and schools for the children of merchants and well-to-do farmers that taught vocational subjects like accounting and agriculture. Merchants successfully petitioned the shogun to create a business academy in Osaka that became famous for its political economy curriculum. By the early 19th century, Japan’s literacy rates of 40 percent male and 15 percent female were comparable to what existed in the US and the UK (Jansen, 2000). Relatively high education levels were a major reason for Tokugawa Japan’s success.

The Vibrant Rural Economy

Tokugawa prosperity rested upon a strong agricultural sector that consistently created food surpluses. In 1600, Japan was producing an estimated 18.5 million koku (1 koku=5.12 US bushels) of cereal grains and by 1700, production had increased to 26 million koku. Largely because of agricultural productivity and peace, Japan’s population doubled from approximately 15 million in 1600 to 30 million in 1721, but only grew another 3.1 million between the latter date and 1872. In the last century and a half of the Tokugawa period, cereal production increased only another 6 koku because there was largely no incentive for greater domestic consumption of rice or other cereal grains. Rising educational levels caused families to deliberately limit their number of children and increasing commerce, manufacturing, and national markets gave the Japanese access to more varied diets. Cotton, tea, and sugar production also steadily increased in the Tokugawa period (Hall, 1983).

Production of substantial food surpluses, especially in central Honshu, along with the existence of a national transportation system, stimulated the growth of commercial agriculture. Early in the period, the government managed to regulate economic activity in castle towns, but was unable to do so in the countryside. This had the unintended consequence of stimulating small manufacturing start-ups in rural areas. The Tokugawa economy steadily became monetized, which further commercialized agriculture and rural manufacturing. Daimyo, samurai, and town and city merchants began to invest in small rural manufacturing enterprises, creating such products as sake, soy sauce, silk, paper, indigo, fertilizer, and even iron and metal works. Small farmers learned time management skills that were not just based upon agricultural cycles and some farm families were earning over half their income from non-agricultural activities. This pronounced Tokugawa proto-industrialization set the stage for the shift to heavy manufacturing that occurred in Japan beginning in the late 19th century (Ellington, 2009).

The Urban Economy

The late 16th century unification process and the subsequent creation of a transportation infrastructure stimulated further urbanization as castle towns became cities. By the early 18th century, Edo, possibly the largest city in the world, had over one million people while Paris, the biggest city in Europe, was half that size (Holcombe, 2011). Osaka and Kyoto both had populations of 300,000, and smaller cities, such as Sendai, Kagoshima, and Kanazawa each
contained from 50,000 to 100,000 people (Hall, 1983). Central government officials granted monopolies in certain industries such as lumber and attempted to regulate the production of some crafts through the approval of guilds, but left the majority of industries and crafts alone. The dominance of monopolies of trade and craft production was broken by competitive forces (Hauser, 1983). Because many bureaucrats did not understand commerce and manufacturing, these sectors of the economy, unlike agriculture, were not systematically taxed and merchants, especially small entrepreneurs, had even more of an incentive to increase work and production.

Local markets transformed into national ones for clothing, furniture, metal objects, and swords. Industries such as raw silk, textiles, paper, and lanterns were not regulated and their products were sold throughout Japan. Chief financial houses had networks of branches in different parts of Japan and bills of sale, promissory notes, and various credit instruments were common. Retail houses proliferated in the cities. Mitsui employed over 1,000 people in its Edo shops alone. Osaka and Edo both contained gigantic warehouses owned by private firms for storage of a variety of consumer goods (Allen, 1981; Hauser, 1983).

Osaka, in western Japan, established its reputation as a city based upon commerce that continues today. Processed foods, cotton textiles, metal products, pressed oils, pharmaceuticals, and many other common consumer goods were produced in Osaka. The city also was home to a rice futures exchange that helped determine prices for that important commodity. Kyoto, by contrast, specialized in producing luxury goods such as silk textiles and pottery for the affluent samurai and daimyo. With the monetization of the economy, Osaka, along with Edo, became a distribution point for the nation, and because maritime transportation costs for commodities was much lower than land transport, a western shipping route along the Sea of Japan brought rice and other bulk goods to Osaka while an eastern route down the Pacific coast supplied Edo (Hauser, 1983).

The Information Industry, Pop Culture, and Travel

Because of a strong economy and high levels of education, a flourishing book publishing industry existed in the major urban centers. By the end of the 17th century there were an estimated 7,200 titles in print and by the middle and latter parts of the period, five to six times that number (Jansen, 2000). Important works in philosophy, political economy, law, and history, as well as various genres of literature and poetry were steadily produced and consumed. As the economy became more diversified, it also was much more possible for commoners to utilize education, or what economists call human capital development, and rise to important positions in business, education, and other fields.

Japan’s first rich urban popular culture emerged in Edo and was replicated to a lesser extent in other cities. Kabuki and Bunraku theater, ukiyo-e, or woodblock prints, and genres of poetry, including haiku, that still have contemporary global impact were all pop culture products that partially, if not largely, resulted from demand by middle class urban dwellers with disposable income for leisure and consumption (Ellington, 2009).

With rising affluence, mass consumption of goods and services increased including tourism-related industries. Pilgrimages to major religious sites such as the Ise and Kamo Shrines, typically closer to a vacation for the average “pilgrim” than a religious experience, were a national pastime for many Japanese. Pilgrims to these famous shrines numbered over a half million annually by the 18th century and special festival years like 1771 and 1830 attracted, respectively, an estimated two million, and three to four million, pilgrim/tourists (Jansen, 2000).
International Trade: Myths and Realities

The Shogunate, wary of the possibility of European threats to the regime, enacted in the mid-1630s, a series of “seclusion” policies that limited Japanese contact with much of the rest of the world. Although the image of a hermetically sealed Japan is a common stereotype associated with Tokugawa rule, in the words of historian Marius Jansen, the seclusion policies may be likened to “a bamboo, rather than an iron curtain” (Jansen, 2000, p.64). Even though the shogunate banned European trade (except with the Dutch) the Japanese engaged in regional trade with China, Korea, and parts of Southeast Asia throughout the Tokugawa years.

In the early part of the Tokugawa period, Japan ranked second in the world behind Spain in silver exports and was a major supplier of copper and silver to China and Southeast Asia. The shogunate, worried about domestic metals shortages, banned exports of silver and copper in the late 1600s, but by the mid 18th century, Japan was again exporting at 16th and 17th century levels. Japanese imported a wide range of Asian goods including silk, cotton, medicines, and sugar. (Kang, 2010). Sometimes, merchants had government approval or trade was part of government sponsored “tribute” missions. Merchants often ignored seclusion policies that were difficult to enforce. Daimyo in two hans, Choshu and Satsuma, defied the shogun’s exclusion policies and used Okinawa and other Ryukyu islands to maintain trade with China throughout the Tokugawa period. The defiant daimyo also supported French and English requests to open the islands for trade (Norman, 2000).

Economic Dynamism: Crumbling Tokugawa Shogunate

Even though it is conjecture regarding how long the Tokugawa system would have survived if Commodore Perry had not “opened” Japan in 1853, the regime’s effectiveness declined in the last three decades before Perry’s arrival. The shogunate was plagued with deficits, restive daimyo, and blurring of class distinctions, primarily because of the leverage of powerful merchants and entrepreneurs.

The central government maintained an in-kind rice tax based on annual yields which proved archaic in an increasingly commercialized economy. Samurai depended upon annual rice yields from the han for their yearly stipend amounts. As rice prices declined over time, many samurai became poor and dependent upon the affluent commercial classes for loans and other economic opportunities, even though samurai were theoretically barred from business ventures. The economy had clearly outgrown the political system in sophistication and dynamism.

A rising number of samurai, particularly in the south, became dissatisfied with Tokugawa rule. Discontent rose in the years after Commodore Perry’s 1853 arrival in Japan over how to deal with Western powers and the latter issue was a flashpoint for the 1868 Meiji restoration that ended the shogunate. Stable Tokugawa institutions and substantial economic freedom, however, helped position Japan to become the first successful non-Western industrial economy in modern world history.

Two Societies, One Lesson

Despite the presence of substantial cultural and political differences, critical masses of people in the Florentine Republic and Tokugawa Japan did what most humans tend to do when they have ample economic freedom that is complemented by stable institutions - they created wealth for themselves by serving consumers. This is one important lesson students can learn from the study of successful pre-industrialized economies that is still true today. Other pre-industrial economies worth attention in history classes include ancient Athens and Corinth, South
Asia in 100 CE, large swaths of time in four Chinese dynasties encompassing almost 1,000 years, and the American English Colonies. Through this kind of systematic historical study, students and teachers will recognize that despite great gaps in time and cultural diversity, many if not most, people tend to respond in similar fashion when the right economic incentives are present.

**Appendix**

**Digital Teaching Resources**

The following teaching resources were selected because of their suitability for the classroom. The sites were selected because their solid content and interesting pedagogical features. Many of the sites also do an excellent job of linking the respective economies of the two societies to larger cultural and political developments.

**Florentine Republic**


A discussion of the successful Florentine coin (florin) and bankers can be found under “Focus on Florence” and “Exploration and Trade.”


Information related to the development of trade, in the Renaissance and particularly in the Florentine Republic, can be found here. In “Becoming a Spice Trader,” one can take an interactive trip involving decision making and the spice trade.


This is a general overview of Renaissance Florence that includes economic content. A list of recommended books on the Italian Renaissance and Florence is provided.


The History of Florence entry is part of a more comprehensive website. The narrative on Florence focuses upon the cities’ banking success and the 1252 minting of the florin.


This site contains an entry on “Coins and Medals” in the Renaissance. In 1252, the florin gold coin contained a portrait of John the Baptist, Florence’s patron.
saint, on one side. The florin influenced the design of coins throughout the continent for many years.
http://www.novelguide.com/a/discover/rens_02/rens_02_00153.html
This entry assists students to understand how economic and political changes were interrelated. Renaissance improvements in banking and expanding trade routes led to an overall increase in commercial activity. Feudalism gradually disappeared and early forms of capitalism emerged.

Tokugawa Japan
Columbia University. Asia for Educators website. Retrieved on June 2, 2011, from:
http://afe.easia.columbia.edu/at/tokugawa/tj01.html
“Tokugawa Japan: Order and Change: Political Stability and Rapid Modernization” is one in a series of several short video clips featuring noted scholars who address the role of commerce and economy in Tokugawa Japan’s success.
http://afe.easia.columbia.edu/at/tokugawa/tj02.html
“Path to Modernization: Economy, Education, and Urbanization.” This video clip from the above series features discussions on the spread of a money economy, an upsurge in the merchant class, and the rapid development of cities.
“Codes of Merchant Houses: The Testament of Shimai Soshitsu.” This primary source document contains a set of guidelines written in 1610 by a successful Japanese merchant. Around this time, merchant houses began issuing codes, essentially lists of instructions intended for later generations to follow. DBQ’s follow this excerpt from the “codes.”
http://afe.easia.columbia.edu/special/japan_1450_merchant.htm
“The Prosperous Merchant in Tokugawa Society.” This short quotation by Mitsui Takatoshi, founder of the Mitsui empire, is strong evidence that the merchant class was the center of dynamic growth in the Tokugawa period. Student discussion questions accompany the primary source.
http://www.timesonline.co.uk/tol/news/world/asia/article5860675.ece
This author describes how present-day Chinese economic leaders are turning to a seventeenth century Japanese warlord for advice. Ieyasu’s leadership in establishing Japanese prosperity, order, and domination make him a very popular role model in China’s business community.
http://www.loc.gov/exhibits/ukiyo-e/japan.html: “Japan and the West: Artistic Cross-Fertilization.” This site is a collection of illustrations by Japanese artists of western technology and products. The site helps students better understand developments in international trade between Japan and the West in the late Tokugawa period.
This comprehensive unit includes content, preparation instruction, activities, and worksheets. The unit’s major objective is the linkage of commercial art and entrepreneurship in the Tokugawa period.
*Imaging Japanese* is a useful teacher resource on Tokugawa Japan and includes essays, handouts, commas, and transparencies that focus upon private commerce and entertainment featuring the now “classical” but then, commercial art: woodblock prints. An introductory essay details the growth of trade, money, and markets.

**References**


Web-Based References


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