Using a straightforward rational-choice approach, Professor Ramseyer explores the impact that law had on various markets in Japanese history and the effect that those markets had on economic growth. In doing so, he applies an economic logic to markets in a different world in a different historical period with a different political regime and a different legal system. He looks hardest at those markets that have most often struck traditional observers as “exploitative” (e.g., the markets for indentured servants and for sexual services). Within those markets, he focuses on the way participants handled informational asymmetries in the contracting process.

Ramseyer finds that Japanese courts generally defined important property rights clearly, and that Japanese markets generally protected an individual’s control over his or her own labor. As a result, that the Japanese economy grew at relatively efficient levels follows directly from standard economic theory. He also concludes that the legal system usually promoted mutually advantageous deals, and that market participants (whether poor or rich, female or male) generally mitigated informational asymmetries shrewdly by contract. He finds no systematic evidence of either sex- or age-based exploitation.
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ODD MARKETS IN JAPANESE HISTORY

Law and economic growth

J. MARK RAMSEYER

The University of Chicago
For my critics:

Howard Blair
Arthur Rosett
Theron Schlabach
Frank Upham
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Series editors’ preface

The Cambridge series on the Political Economy of Institutions and Decisions is built around attempts to answer two central questions: How do institutions evolve in response to individual incentives, strategies, and choices, and how do institutions affect the performance of political and economic systems? The scope of the series is comparative and historical rather than international or specifically American, and the focus is positive rather than normative.

Property rights shape the incentive structure of a society and so determine its economic performance. In his thoughtful and provocative analysis of Japan before 1945, Mark Ramseyer argues that governments created and courts enforced legal rules that made people economically autonomous agents in many ways, providing the motive force behind economic growth. His evidence rejects oft-stated claims that Japanese courts enforced autocratic family law, for instance. But his arguments from the field of law and economics go further than this, analyzing the historical evolution of Japanese property rights in such diverse areas as land and water, children, families, factory labor, and sexual services. Many of these markets feature severe information asymmetries and thus sometimes depend more on cartelization and bargaining than on simple decentralized exchange among individuals. This magnifies the role of rules and laws in such markets in promoting economic growth. Ramseyer shows how the Imperial courts confirmed explicitly what customary practices of Tokugawa markets in land, water, and labor had conveyed implicitly, namely, secure specific rights to individuals to use factors of production under their control as they saw fit.

How can politicians be induced to provide good laws in odd markets? Contemporary concern for the construction of market institutions in many transitional societies makes Ramseyer’s attack on this question timely. His use of unusual, even fascinating, cases gives the book relevance well beyond those interested in Japan.
Acknowledgments

I have puzzled over these issues too long. Intermittently but regularly, I have toyed with these issues nearly since graduate school in Japanese studies (mostly history) nearly two decades ago. This book is the result. Stated simply, it is a book about markets in history: about the property rights that structure those markets, about the contracts that people negotiate over those rights, and about the economic growth that can ensue.

Over the many years I have worked on this project, dozens of people thoughtfully read chapter drafts and contributed to the workshops at which I presented the drafts. Believe me, without their comments this book would have been much worse. More recently, Margaret McKean tirelessly and generously read through the entire book and offered invaluable suggestions. To all of these friends, I offer heartfelt thanks.

Two housekeeping notes: I have written modern Japanese names in the American format, with the given name first and family name last. In the interests of simplification but at the admitted risk of irritating reviewers, I have omitted macrons over Japanese names and words.

To complete this book, I received generous financial assistance from the University of Chicago Committee on Japanese Studies, the John M. Olin Foundation, the Lynde and Harry Bradley Foundation, and the Sarah Scaife Foundation.

Acknowledgments


I dedicate this book to four people who taught me to write, rewrite, and then start all over again. They taught me my trade. I doubt they will agree with much of this book. So long as they are not bored with all of it, I will be delighted.

The University of Chicago
Summer 1995