The Emergence of “Science of Commerce” in the 1900s as an Early Marketing Discipline in Japan

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Purpose – The purpose of this paper is to explore the historical backgrounds of the emergence of “science of commerce (shogyo-gaku)” as a modern marketing discipline in the 1900s in Japan and to consider some features of this discipline.

Design/methodology/approach – Historical research is adopted. Research will include historical contexts as well as literature itself.

Research limitation/implications – The 1900s was only a seminal stage in the science of commerce in Japan. The discipline further developed in the interwar period. The exploration in the 1900s, however, will uncover some features in Japanese discussions on marketing.

Keywords – commerce, science of commerce, Japanese marketing thought, Japan, German historical school

Paper Type – Extended summary

Introduction
The 1900s saw the emergence of the modern marketing discipline called “science of commerce (shogyo-gaku)” (Handelswissenschaft) in Japan. The term “commerce” was not always clear. It sometimes suggested business in general (as exemplified by Faculties of Commerce within universities). In the discipline of science of commerce, however, the term “commerce” referred to “exchange or buying and selling at a profit” (Iida 1902), or various forms (as will be explained below) of “buying for resale” for the sake of profits (Miura 1903, Ishikawa 1904, Uchiike 1906, Saito 1909). Based on these definitions, science of commerce explored various types of institutions for exchange such as wholesalers, retailers and brokers, social role of commerce, and auxiliary undertakings such as agencies of transportation, warehousing, banking and insurance. In short, science of commerce was a marketing discipline at the time basically from a social point of view, although the term “marketing” had not yet appeared in Japan.

The 1900s were a seminal stage of science of commerce. While the discussions further developed in a few different directions in the interwar period, literature in the 1900s already embraced some important features and controversies in Japanese marketing thought. Based on the suggestion by Nevett and Hollander (1994, p.3), that is, “the history of marketing thought cannot be studied in a meaningful way unless the writings themselves are linked to the historical context in which they were produced,” this paper will investigate the general background first. Then it will explore some features in science of commerce, including controversial aspects, and finally show how these discussions developed in the interwar period in Japan.

General background
Establishment of schools for university-level education in business.

The fundamental background to the emergence of modern marketing discipline in the 1900s was the increasing demand for collegiate education in business and establishment of higher schools for it. This was not only a Japanese feature. Rather, some western countries such as the USA, UK and Germany led this tendency, as exemplified by the well-known foundation of Wharton School of Finance and Economy in 1881 in the USA, the establishment of the Higher Commercial College (Handelshochschule) in
Leipzig in 1898 in Germany, and the beginning of a B.Com. (Bachelor of Commerce) degree at the Department of Commerce, University of Birmingham in 1901 in the UK (Ashley 1926, Fehling 1926, Marshall 1928, Smith 1928, McCrea 1935). Japan followed these advanced examples to meet the increasing requirements for knowledgeable business officers on the basis of the rapid progress of industrialization, as the period from 1886 to 1900/1910 was called the Japanese Industrial Revolution.

The Commercial Law Institute, established as early as 1875 in Tokyo, at first emulated the commercial colleges (Hitotsubashi University 1992; Nishizawa 2014), which developed around the mid-nineteenth century in northern and eastern cities in the USA and taught high-school level business techniques such as book-keeping, commercial calculation and ornamental penmanship (Sullivan 2000, pp.63–66). But the school soon changed focus: after the national government took it over and changed its name to the Higher Commercial School (Koto Shogyo Gakko), it began to pursue higher business education by modeling itself on the Superior Institute for Commerce of Antwerp (Institut supérieur de commerce d'Anvers), which was established in 1852. As Passant (2016) described, higher schools of commerce constituted a very marginal phenomenon before 1870 in Europe, but the school at Antwerp was one of the exceptional cases, ranking with the Superior School of Commerce of Paris (École Supérieure de Commerce de Paris, ESCP), which was co-founded by the classical economist Jean-Baptiste Say in 1819. Based on the fact that Belgium was often referred to as the most industrialized country in the middle of the nineteenth century after the British Industrial Revolution (Betts 1982, p.3), the school at Antwerp was much more “university-like in nature” compared to the ESCP (Kaplan 2014, p.530). The Higher Commercial School continuously invited teachers from Antwerp, while some Japanese scholars were dispatched to study there (Nishizawa 2008, p.792).

Many Japanese scholars were dispatched by their schools to Western academic institutes and allowed to conduct research there for one or a few years based on the program called “ryugaku,” a measure of the modernization movement of higher education in Japan. In due course, several scholars came to prefer German colleges for this foreign study, although other destinations were also chosen. As of 1901, eight Japanese business scholars gathered in Berlin and declared “The Urgent Necessity of Establishing Commercial Universities” (hereinafter the Berlin Declaration) in an address to the Japanese government. These scholars were observing the spread of higher commercial education in Germany and other European countries at the turn of the twentieth century.

Inside Japan, the Higher Commercial School in Tokyo began to award a B.Com. degree in the same year of 1901, and the second national Higher Commercial College was established in Kobe as the original school became the Tokyo Higher Commercial School in 1902. In the meantime, several private Higher Schools of Law, founded in the 1880s, became “universities” under the Ordinance of Professional Schools (Senmon Gakko Rei) in 1903, adding the Faculties of Economics and/or Commerce; these included Hosei, Senshu, Meiji, Waseda, Chuo, Kansan, Nihon, and Keio Universities as they are now known (NIER 1973a, 1973b). Thus the 1900s was the starting period of university-level education in the economics and business field.

The relationship with the German Historical School.

The influence of Germany on Japanese higher education was not merely institutional: it extended to the way of thinking of economics and business study. In this respect, the German Historical School were a profound inspiration. This School had multiple features: Jones and Monieson (1990, p.110) described the school’s influence as “a particular version of a positivistic philosophy of science” and “an inductive-statistical version of positivism.” However, one focus in Japan was on trade protectionism, the anti-laissez-faire doctrine and the holistic point of view (a whole is greater than the sum of its parts), which were totally different from the orthodox school of economics.

Modern economics was naturally introduced first from the UK, but in due course, many Japanese economists were increasingly attracted to the German Historical School. As early as 1889, the book Das nationale System der politischen Ökonomie written by Friedrich List, the famous leader of the Older German Historical School, was translated into Japanese as Mr. List’s Economics (Rishi Keizaigaku) by Sadamasu Oshima, who became an opinion leader in trade protectionism and fought a conflict with the economic orthodoxy advocating the free trade doctrine. After this, several books of the Historical School
were continuously in translation. In the 1890s, it was Noburu Kanai, a young scholar of Tokyo Imperial University, who studied with the leaders of the Younger German Historical School such as Gustav Schmoller and Adolf Wagner, and eagerly introduced the ideas of the Younger Historical School to Japan (Iida 1973, p.614). He pioneered the establishment of the Japanese Association for Social Policy in 1896 (Iida 1979, p.16). This Association was equivalent to the Association for Social Policy (Verein für Sozialpolitik) in Germany created in 1872/1873 by the academics of the Younger Historical School, as well as journalists, businessmen and civil servants (McClellan 2017, [p.2]).

The essence of social policy was social reformism (Okochi [1936] 1968, p.4), which explored “an alternative answer to the social question,” something “to moderate the extremism of economic liberalism and reduce the risk of violent socialist revolution” (McClellan 2017 [p.2]; Riha 1985, p.93). These alternative ideas by the Historical School were generally encouraged by the fact that Germany was a latecomer to the capitalist economic system (Shionoya 2001, pp.15–16, Tanaka 2002, p.158). Japan was also a latecomer to capitalism; in this respect Japan had a higher affinity, resulting in wider spread of the ideas among Japanese academia.

Some business scholars, as well as economists, were also strongly influenced by this School, such as Tokuzo Fukuda, a scholar of the Higher Commercial School, who was a leader of the Berlin Declaration in 1901, studied with Lujo Brentano, a scholar belonging to the Young German Historical School, and obtained his doctorate there in 1900 (Kanazawa 2004), and Hajime Seki, also of the Higher Commercial School, who firstly went to the Antwerp school in 1898, but transferred to Berlin University in 1900 and joined the class of Gustav Schmoller and Adolph Wagner as did Noburu Kanai. He joined the Berlin Declaration as well, and later discussed urban policy as a social policy and became a mayor of Osaka City (Nishizawa 1987).

Naturally, however, not all Japanese economists and business scholars supported the German Historical School. For instance, Ukichi Taniguchi, who had been a leading officer of the Ministry of Finance and became a journalist/politician/businessman to lead the free trade doctrine, published The Free Trade System for Japanese Economy [Jiyu Koeki Nihon Keizai-ron] in 1878, and in 1879 a Japanese translation of The History of British Commerce and the Economic Progress of the British Nation, 1763–1870 by written Leone Levi in 1872. As Morishita S. (1968, p.419) indicated, this translation was to reinforce the idea of free trade. Taguchi (1879, pp.2–3) emphasized in the preface, “it should be known that the current prosperity of Britain was not created by interventions to commerce by the government, but rather by releasing it from the government.” There were business scholars less sympathetic to the Historical School, as will be shown below, though they sometimes referred to a concept such as “social policy” as being influenced by the mainstream of Japanese economic academia at the time.

In any case, after publishing the translation of Levi’s book, translations appeared continually which explored the history of commerce (shogyo-shi) in the world, including William James Gilbert’s The Lecture of the History of Ancient Commerce (1847) translated by Akira Kanetani in 1884, John Yeats’ The Growth and Vicissitudes of Commerce (1872) by Kin’ichi Kawakami in 1885, John Yeats’ The Technical History of Commerce (1871) by Sadamitsu Oshima in 1885, the revised edition of Leone Levi’s The History of British Commerce and of the Economic Progress of the British Nation, 1763–1878 by Kinshiro Tsuchiko and Juichi Soeda in 1887, Robert Somers’ “Commerce” in Encyclopedia Britannica 1890 (Vol.5, pp.169–207) translated as a book entitled The History of World Commerce by the Economic Journal Co. in 1895, and Henry de Beltgens Gibbins’ The History of Commerce in Europe (1891) by Kensuke Nagata in 1896. The translation of historical books of commerce was motivated by the controversial opinions that the translators held regarding the free trade principle or trade protectionism (Morishita S. 1968, p.425). These also played a preparatory role in the emergence of “science of commerce” in the 1900s.

“Science of Commerce”: The Start of Modern Marketing Discipline

Emergence of “science of commerce.”

Under these circumstances, Japanese science of commerce emerged in the 1900s. The following books reflect its emergence:


Uchiike, Renkichi (1906), *The Outline of Science of Commerce* [Shogyogaku Gairon], Tokyo: Donbunkan.


Every book on science of commerce discussed the definition of “commerce” in its first part. An example appeared in the earliest book by Iida (1902). He defined, “In short, commerce is exchange or selling and buying at a profit” (p.45). “One commerce should have two parties, that is, a seller and a buyer. The one offers the product and the other pays money in return for the product, concluding an exchange or selling and buying. Nevertheless, there are different types of selling and buying; the one form aims at a profit, while the other does not. The exchange at a profit belongs to commerce, but exchange not aiming at a profit does not belong to commerce” (p.46). This type of definition was called “a broad meaning of commerce” by Ishikawa (1907) at the time, and came to be called “the exchange view on commerce” (Morishita, F. 1960, p.29). This definition was never invented by Japanese scholars; rather, it had long history that could be traced back to such scholars as Adam Smith (*The Wealth of Nations*, 1776) as shown by mentioning “commercial society” (Smith [1776] 2007, p.22) and J. M. Leuchs (*System des Handels*, 1804) (Morishita F. 1960, pp.29 and 37).

At the same time, there appeared a narrower definition of commerce in the 1900s. Miura (1903a) defined “commerce” as “the process in which middlemen transfer or make it easier to transfer the ownership rights of economic products from the hands of hunter-gatherers or manufacturers to the hands of consumers” (p.18). It should be underlined that the “commerce” Miura (1903a) here indicated was distinguished from the whole existence of exchange or selling and buying in general, and narrowly defined as the transferring process of goods by middlemen (including wholesalers, retailers and other mediated agencies), which was only a part of all exchanges. This definition was generally called “the view of commerce as buying for resale” (Morishita F. 1960, pp.30–31). This was not a Japanese definition; as Japanese scholars sometimes referred to the book by German economist Richard van der Borght (*Handels und Handelspolitik* 1900), the idea also came from Europe.

The discussion by Uchiike (1906) was in greater detail. He indicated that there was a usually accepted definition that “commerce is referred to as undertaking to buy and resell goods at a profit” (p.17), which also represented “the view of commerce as buying for resale.” This definition, however, still included a few different cases according to Uchiike; that is, (1) buying for resale was undertaken as a specialized form, which Borght called “merchants’ activity,” (2) producers themselves took part in buying for reselling as part of production, and (3) only a partial activity of buying for reselling was involved, which was called “auxiliary commerce” such as warehousing, transportation, banking, insurance and brokerage (pp.21–22). Then Uchiike defined “commerce” as “enterprises that bridge the discrepancies of person, place and time between producers and consumers by a means of exchange or buying and selling” (p.19). This definition may be seen as sophisticated because it evokes early marketing thought in the USA regarding creation of possession, place and time utilities by marketing as exemplified by Weld’s ([1916] 2012, p.5) discussion, although Uchiike never used the concept of utility. It is also interesting to note that Uchiike (1906) emphasized the social functions of commerce in that “commerce guides production of goods,” “commerce provides consumers with satisfaction,” “commerce fulfills the usage of manpower and natural power and saves them,” and “commerce promotes culture and peace” (pp.25–27).

Similar discussions were presented by Saito (1909). He distinguished three types of definitions of “commerce.” The narrow one: “commerce is an enterprise that buys the products without any special orders from buyers, and resells the products without any processing them, resulting in meeting between
production and consumption” (p.19); the broader one: “commerce proper” (the narrow meaning of commerce mentioned above) plus “auxiliary commerce” including undertakings of transportation, warehousing, banking and insurance (pp.26-27); and the broadest one: “commerce proper,” “auxiliary commerce” plus “intermediary commerce” meaning selling agencies that mediate exchanges between merchants (p.31). Saito (1909) indicated he would adopt the broadest meaning of commerce, but emphasized that describing the case in which manufacturers established commercial companies to sell their products as commerce was “erroneous” (pp.32-33). This standpoint was a variant of the view of buying for resale.

Based on these definitions, the listed books, though illustrating some natural differences according to author, explored various types of commerce such as foreign commerce and domestic commerce, peddlers, merchants with fixed stores, wholesalers, retailers, brokers, etc., different kinds of goods, types of organizations for commerce such as individual merchants and various types of companies, managers and employees in commercial companies, and auxiliary commerce such as transportation, warehousing, insurance, banking, and credit. These discussions were generally made from the macro or social point of view, but the book by Saito (1909) included some managerial issues, such as accounting and advertising, including the introduction of W. D. Scott, a famous advertising theorist in the USA.

Some controversial aspects in science of commerce.

The author of the first book of science of commerce, Kiro Iida, was a graduate from the Superior Institute for Commerce of Antwerp. He emphasized, “it is clear that commerce needs to have theoretical methods,” although even in Antwerp it had been mocked as “unnecessary for greengrocers” (Iida 1902, pp. 5 and 18). After his publication, theoretical explorations on science of commerce continued to appear.

Shinshichi Miura, who is currently evaluated as “the first theoretical researcher” (Mitsuzawa 1998, p.29), published his book just before he left Japan to study at Leipzig University. In the first chapter, Miura asked himself “whether science of commerce is real science or not” (Miura 1903a, p.7). He proposed three possible answers; that is, (a) science of commerce provides a systematic knowledge of trade, (b) it is the discipline to explore how to exploit maximum profits when merchants conduct business, and (c) it is a part of economics, which explores how commerce increases wealth and reduces manpower requirements when individuals are inspired only by economic motives without any intervention by the government (Miura 1903a, pp.2–4). Miura rejected all of these. He defined as follows:

Science of commerce is to explore the principles of commercial activities in society and how to conduct commercial businesses successfully by individuals; but more than this, it is to explore how the state can encourage the development of commerce, and when interests of society and of individuals become contradictory, how the state can coordinate the conflicts (Miura 1903a, pp.4–5).

Thus, definition of the subject was composed of (1) economics of commerce, (2) business study of commerce, and (3) policy of commerce (Miura 1903a, p.5). Significantly, he positively assumed the role of the state as the promoter of commerce and the regulator of social conflicts within it. This view was apparently influenced by the idea of social policy set by the state as the Younger German Historical School assumed. Miura emphasized, “According to the orthodox school of economics in the UK, social interests and private interests will never be contradictory because social interests are the aggregation of individual interests” (Miura 1903a, p.5), but this idea is “absolutely erroneous” (Miura 1903b, p.50). It was apparent that Miura’s idea was directly influenced by the Younger German Historical School.

The standpoint of Renkichi Uchiike was very different. His book firstly published in 1906 became a best-seller that was repeatedly revised as much as 45 times till 1939. His work was described later as “the best piece in science of commerce produced by scholarship at Hitotsubashi [the site of Tokyo Higher Commercial College]” (Fukuda, K. 1952, p.51). Uchiike dismissed Miura’s description of science of commerce as “one of the most curious” and indicated the policy of commerce “should belong to political science or jurisprudence” (Uchiike 1906, p.4), and was clearly opposed to his linking social policy into
science of commerce. Their different views reflected the different attitudes of scholars toward the German Historical School.

Uchiike’s plan was to explore “science” in what he called “the narrow sense of science of commerce.” According to him (1906), “the broader sense of commerce” would embrace (1) the disciplines based on the relationship between commerce and society, (2) the disciplines based on the relationship between commerce and the state, and (3) the disciplines based on the relationship between commerce and managers (pp.9–11). He asserted “the broader sense of commerce could never be unified science.” However, he stressed that “the narrow sense of science of commerce,” which meant the discipline to explore the general rules in business and was a part of item (3) above, was “no doubt an independent science, not a part of economics, nor merely techniques” (p.12). Thus Uchiike totally wiped away the idea of social policy in commerce, and his focus was directed onto the business study of commerce.

Uchiike’s idea, however, soon met tough criticism by Teijiro Ueda. He is now evaluated as a pioneer of Japanese management thought, and had a career of studying with William J. Ashley at the University of Birmingham, who was a scholar of the so-called English Historical School (Koot 1987), which embraced strong sympathy with the Younger German Historical School. Ueda claimed in a book review of Uchiike’s work, “I am opposed to the plan on the systematic table for science of commerce explained by the introductory chapter of Professor Uchiike’s book” (Ueda 1907, p.128). Ueda indicated science of commerce was only a mish-mash of know-how and techniques borrowed from miscellaneous fields. He wrote that the subject looked “like a field in the autumn with bush clovers and bellflowers in bloom; when watching one species, it has four- or five-petals in accordance with a certain law, but when viewing the field as a whole, you will find each flower colored in its own way, the first mismatching the second, and the third ignoring the fourth” (Ueda 1905, p.740). Thus he concluded, “I repudiate the existence of science of commerce” (Ueda 1907, p.128).

It should be noted that management thought (keieigaku) itself was not yet established in the 1900s in Japan. Ueda’s criticism, therefore, can be seen as pursuing development of management thought, which was progressing in different directions from that of science of commerce or marketing.

Conclusion and Beyond

The different ideas about science of commerce in the 1900s originated from two sources. The one is the different theoretical distance from the Younger German Historical School. The first proposal by Miura was directly influenced by this School. In contrast, Uchiike was distant from it. The other was the different directions which scholars were taking. Although Uchiike had an intention to establish business study in commerce, Ueda didn’t find the real factors of management thought in Uchiike’s discussions.

In the interwar period, these early discussions developed in different directions. Ueda’s exploration developed to what is now seen as the German type of business study (Kataoka 2001, p.222), while the American way of management thought such as F. W. Taylor’s scientific management began to be introduced mainly by business practitioners (Kataoka 2001, p.220). Thus, Japanese management thought came to be composed of two types: the German and the American. As of 1926 the Japan Academy of Business Administration was established. This name was chosen as a result of a controversy among possible members whether the academic organization should be featured as “business administration” or “science of commerce.” Adopting the name of “business administration” meant that the relative majority of scholars at the time gave higher priority to establishing the organization for management thought, rather than for science of commerce or marketing. It was not until 1951 that Japanese marketing scholars had their own academic organization, the Japan Society of Marketing and Distribution.

In the field of marketing, Miura’s idea of social policy in commerce substantially developed in the the study of “haikyu” (this term was newly coined, see Usui 1995), a Japanese research in macromarketing. This was because some actual social problems and disputes occurred in the distributive channels in the 1920s–30s, such issues as public markets for perishable goods, oppressive control by the department stores, and the huge number of petty retailers and necessity to relieve them. In the meantime, the study of “haikyu” was gradually embracing the American management ideas, while some scholars tried to apply Taylor’s ideas to the sales and advertising fields. It was in the late 1950s that management-oriented ideas began to be fully fledged in marketing.
Finally, it should be underlined that the legacy of science of commerce produced a unique Japanese curriculum of marketing-related education. In many universities, not only marketing, but also science of commerce, or study of distribution (ryuta-ron) in a more modern expression, have been taught as parallel basic subjects. The former has focused on management or strategy in marketing, while the latter has discussed the whole structure of the distribution process or research in macromarketing, and also encouraged the foundation of the Japan Society for Distributive Sciences in 1987. Thus, research in science of commerce has firmly taken root in Japanese academia since the 1900s.

References


