

Shibusawa Eiichi's Ideological Entrepreneurship
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Introduction

Modern economic development depends greatly on an institutional framework and ideological environment, which encourage the investment of talent and resources into commercial enterprises. In Japan's Meiji transition to modern economic growth, government and business leaders made economic a growth a national priority to develop the country's wealth and strength to compete with the Western Powers.¹ Leaders built modern economic institutions like banks, insurance companies, and stock exchanges and invested in railroads, textile mills, shipping companies, and other industries.

Shibusawa Eiichi (1840-1931), one of the most important financiers and industrialists in Japan's modern economic transformation, recognized that a revolution in thought was just as necessary as a revolution in technology and business practices. To overcome the earlier Tokugawa-era view of merchants as parasites on society, Shibusawa invested much of his time and energy promoting the idea of the “unity of morality and economy” to create a positive image of the modern Japanese business leader. He was, therefore, an ideological entrepreneur contributing to a new economic philosophy for modern Japan.

Revere Officials and Despise the People

Japan in the mid-nineteenth century was a strictly hierarchical and regulated society in which commoners had to show deference to their social superiors. Shibusawa later recalled that, as a young man, from a prosperous farm family, he considered the prevailing attitude of “revere officials and despise the people” or *kanson minpi* a serious hindrance to the development of Japan’s national wealth and power. When Shibusawa traveled to Europe in

¹ Henry Rosovsky, “Japan’s Transition to Modern Economic Growth, 1868-1885,” in *Industrialization in Two Systems* (New York: Wiley, 1966), 91–139.

1867, he found that merchants and artisans enjoyed a much higher status in Western society than their counterparts did in Japan. He believed that much of the commercial prosperity which he observed could be attributed to the respect businesspeople commanded in their societies.

Japan in the nineteenth century was a society in transition. Two centuries of peace had encouraged a prosperous commercial economy that in many ways had outgrown established political and social hierarchies. Shibusawa was born in 1840 to a prosperous farm family near what is now Fukaya-city in Saitama-prefecture just outside Tokyo. His father Shibusawa Yoshimasa managed the family farm and a flourishing sideline business, processing indigo dye for textile weavers. Shibusawa went with his father to negotiate with farmers and customers and from time to time encountered samurai government officials.

Shibusawa chafed under the prevailing social norms which required people to show extreme deference to officials. Petty officials, for their part, often had a strong sense of entitlement and could be abusive toward the people. In his autobiography, Shibusawa recalled the resentment he felt when his family and other prosperous villagers were regularly badgered by samurai official for “loans” in addition to their required taxes. After one incident, he recalled that “it occurred to me that the Tokugawa system of government was not good. In my view, it was only right that a person have full possession of his property and be judged on the basis of his intelligence and ability in dealing with his fellowmen.”²As a young man, therefore, Shibusawa was concerned that the Tokugawa hierarchy of hereditary ranks promoted abuses of power while discouraging people from developing their talents and abilities.

² Shibusawa Eiichi, *Autobiography of Shibusawa Eiichi: From Peasant to Entrepreneur* (Tokyo: Tokyo University Press, 1994), p. 13.

After American warships commanded by Commodore Matthew Perry forced an unpopular treaty on the Tokugawa shogun's government, self-proclaimed “men of high purpose” or *shishi*, who carried out terrorist attacks on foreigners and the shogun's officials, inspired those concerned with national affairs to take action. Shibusawa left home in 1863 and joined a plot to attack foreigners in the treaty port at Yokohama. However, Shibusawa soon realized that violent action would mean throwing his life away on what would have little effect on national politics and gave up his plans. Instead, he joined the ranks of the Hitotsubashi clan, a Tokugawa branch family which was recruiting talented young men to help reform national affairs.

Shibusawa must have distinguished himself in his service to the Hitotsubashi as he was granted samurai rank and was dispatched to Europe to accompany the shogun's brother Tokugawa Akitake and the Japanese delegation to the Paris World Exposition. Spending about a year in Europe, Shibusawa was impressed by not only Western technology, which had advanced rapidly with the scientific and industrial revolutions, but also with social customs and institutions. He was particularly struck by the high status that merchants and industrial leaders enjoyed in European societies, a sharp contrast to the disdain that Tokugawa samurai officials had for merchants in Japan. As Shibusawa noted, “For officials and the people to become of one accord to enrich the nation, the custom of revering officials and despising the people must be destroyed. This must be done to bring about a new era.”³ In his travels, Shibusawa found alternative ways to organize political, economic, and social life and came home to Japan committed to directing the energies of the nation away from currying political favor and toward productive commercial enterprises.

3 Shibusawa quoted in Jun Inoue, *Shibusawa Eiichi: Kindai Nihon Shakai No Sozoshu*, Nihonshi Ribureto Hito (Tokyo: Yamakawa shuppansha, 2012), 34.

Institutional Reforms

A new government took over Japan in the Meiji Restoration of 1868. The shogun Tokugawa Yoshinobu retired to the domain of Shizuoka and Shibusawa followed him there. Soon Shibusawa proposed a series of reforms to Shizuoka commercial practices. Establishing the Shizuoka Commercial Association, Shibusawa encouraged local farmers and merchants to pool their resources in a joint-stock framework. Many former retainers of the shogun were moving to Shizuoka and the Commercial Association loaned them funds to establish new businesses in the tea and silk production. In contrast to the Tokugawa era when most of the economy was controlled by large merchant houses with close ties to government officials, Shibusawa worked to develop a new framework where smaller investors could thrive and contribute to national prosperity.⁴

The Meiji central government's Ministry of Finance recognized Shibusawa's successful work in Shizuoka and invited him 1869 to join the bureau charged with reforming tax and currency policy. Shibusawa official career, however, soon fell victim to factional politics. Leaders from the domains of Satsuma and Choshu controlled the Meiji government and Shibusawa was not part of this inner circle. The military as well as the justice and education ministries were scrambling for funds. Shibusawa and his patron at the Finance Ministry Inoue Kaoru believed that government appropriates should be withheld until it was more clear how much tax revenue could be expected. Okubo Toshimichi of Satsuma, on the other hand believed that appropriations should be made immediately. Shibusawa would later recall, “Okubo—the supposed pillar of the nation and the most powerful man in the ministry—was not only deficient in financial expertise, but he seemed incapable of

4 Masakazu Shimada, *Shibusawa Eiichi: Shakai Kigyoka No Senkusha* (Tokyo: Iwanami shinsho, 2011), 30-34.

understanding the most rudimentary economic principles.”⁵ Realizing that his ability to influence policy was limited, Shibusawa resigned from the Finance Ministry along with Inoue in 1873.

While at the Ministry of Finance, Shibusawa had worked on developing the legal framework for a national bank system and had enlisted the Mitsui and Ono merchant groups in establishing the First or Dai Ichi National Bank. When he left the ministry, he used these connections to become the head of the Dai Ichi Bank and worked to assemble capital for needed industries. As investor and board member, Shibusawa helped establish numerous companies such as Oji Paper, Osaka Cotton Spinning, Tokyo Electric, the Imperial Hotel, and Japan Rail.⁶ In 1898, Shibusawa served on thirty-one boards of directors. Miwa and Ramseyer have argued that prominent directors like Shibusawa were important in helping new companies accumulate capital because these directors monitored performance and certified credibility to potential shareholders in equity markets. In the case of Mie spinning, for example, Shibusawa invested his own family's money and this encouraged other investors to follow. Fraud was a real risk for investors and the involvement of famous directors like Shibusawa was valuable in overcoming this risk.⁷ As a financier, Shibusawa was in the business of assessing risk and guaranteeing a rate of return for investors. In the Meiji era, Japan's capital scarcity and the untried skills of many would-be business owners created a particular need for Shibusawa's financial acumen. To encourage necessary investments in Japan's economic growth, Shibusawa realized that it was important to overcome investor fears and encourage socially constructive business behavior for the economy as a whole to

5 Shibusawa Eiichi, *Autobiography*, 139.

6 See chart in Teiji Kenjo, *Shibusawa Eiichi: Dotoku to Keizai No Aida*, Hyoden – Nihon Keizai Shiso (Tokyo: Nihon keizai shimbunsha, 2008), 58-59.

7 Yoshiro Miwa and J. Mark Ramseyer, “The Value of Prominent Directors: Corporate Governance and Bank Access in Transitional Japan,” *The Journal of Legal Studies* 31, no. 2 (June 1, 2002): 273–301.

prosper.

Ideological Entrepreneurship

To elevate the status of commercial activity and to promote trust among business leaders and investors, Shibusawa helped found the Tokyo Chamber of Commerce in 1878. Later he recalled his motivation for joining the organization. “I founded Dai Ichi Bank wanting to promote business and the joint-stock company structure to compete with the civilized countries, but even with a bank, there must be a field in which to work. We had to build our skills. I intensely felt the need to show how enterprises built on the joint-stock model could improve the productivity of all industries and poured all my efforts into explaining it to those who wanted to hold onto the old ways.”⁸ The Tokyo Chamber of Commerce became an important vehicle for Shibusawa to promote business activity and the ideas that supported it.

In the early twentieth century, the chamber would also become a key element of Shibusawa's civilian diplomacy as it hosted business leaders from overseas and journeyed to other countries to improve commercial relations. In 1909, for example, Shibusawa led a group of businesspeople from the Tokyo Chamber of Commerce on a three-month tour of the United States. Welcomed by chambers of commerce in American cities such Seattle, New York and Washington, DC, the delegation discussed issues of commercial relations and the status of Japanese immigrants in the United States.⁹ Networking organizations like the Tokyo Chamber of Commerce, therefore were important in helping Shibusawa promote his vision of a commercial Japan, both at home and abroad.

Shibusawa was also a strong supporter of commercial education. In 1875, Mori

⁸ Shibusawa quoted in Kenjo, 49

⁹ Masato Kimura, *Shibusawa Eiichi: Minkan Gaiko no Soshisha*, Chuko Shinsho (Tokyo: Chuo koron sha, 1991), 73-92.

Arinori established the School for Business Training. In 1889, the school became a government school under the Ministry of Education. At a dinner organized by alumni in his honor, Shibusawa said, "If we look into the matter of commercial education we find that it has not come up to par with other branches of education. As I am a man of no systematic education, I cannot enter into a scholastic discussion of the question. But I have repeatedly spoken in the past in regard to the necessity of elevating our school of commerce to the rank of a University..."¹⁰ In 1920, the government did just that and the school became the Tokyo College of Commerce later Hitotsubashi University. In supporting the Tokyo Commercial School and other institutions, Shibusawa worked to provide needed technical training and to elevate the educational level and status of business managers.

After his 1909 retirement from Dai Ichi Bank and most of his formal positions on boards of directors, Shibusawa revitalized the Ryumonsha study group. The Ryumonsha had formed in 1885 as a study circle for discussing Western business practices. In 1907, Shibusawa described the group's mission as more explicitly ideological in spreading the way of sages in business and promoting benevolent virtue. From 1909, the group's efforts shifted to taking this message outside the study circle to the general public.¹¹

Had Shibusawa simply managed the affairs of the Dai Ichi Bank, he likely would not have had the impact he did on the development of modern Japanese business ideology. Through his work with the Tokyo Chamber of Commerce, his support and close connections with business educators and students, and his Ryumonsha study group, Shibusawa had the institutional means to promote his vision for the development of Japan's economy and business profession.

10 Shibusawa quoted in Kyugoro Obata, *An Interpretation of the Life of Viscount Shibusawa* (Tokyo: Tokyo Printing Company, 1937), 158.

11 Kenjo, 135-136.

Unity of Morality and Economy

In the December 15, 1904 issue of *Chugai shogyo shinpo*, Shibusawa explained that poor health was forcing him to retire from his business positions. In a retrospective of his career, he reiterated the need for ideological change for Japan to advance. When trying to reform politics, finance, the military, and the legal system, Shibusawa noted, the Meiji leaders found old ways of thinking to be tenacious. Shibusawa noted that old ideas were particularly strong in the field of commerce where people had long been educated with the idea of “revering officials and despising the people.” For the country to progress, Shibusawa believed that this outmoded thinking needed to change and the status of merchant activities needed to be improved.¹² After his retirement in 1909, Shibusawa gave many speeches in a variety of contexts. Professor Tanaka has analyzed their content and divided Shibusawa's speeches into three distinct periods: Early, from 1885 to 1898; Transitional, from 1898-1908; and Later, from 1909 to 1920 and observed that Shibusawa's message changed a bit over time. Compared to his earlier speeches, Shibusawa's discussion of the “Unity of Morality and Economy” was much more common in his speeches after 1909.¹³

Perhaps Shibusawa felt liberated to speak his mind after retirement since he was no longer representing Dai Ichi and other companies. Or maybe he simply had more time for giving speeches and, with advancing age, was seeking deeper truths to impart to future generations. He may also have been dissatisfied with Japan's progress in achieving his vision of an open society, in which people were judged not by connections, but rather by their abilities and character. In 1916, Shibusawa was still attacking deference to government officials that he believed impeded Japan's progress when he said, “The characteristic of the

12 Shibusawa Seien kinen zaidan Ryumonsha, *Shibusawa Eiichi Denki Shiryo* (Tokyo: Shibusawa Eiichi denki shiryō kankokai, 1955-1971), bekkai 6, 317-318.

13 Kazuhiro Tanaka, “Dotoku Keizai Goitsu No Shini,” in *Shibusawa Eiichi to Hitodukuri*, ed. Takeo Kikkawa, Masakazu Shimada, and Kazuhiro Tanaka (Tokyo: Yuhikaku, 2013), 58.

current state of Japan that is most deplorable is the poisonous notion of “revere officials and despise the people” that still must be stopped.” He went on to note that if officials did something unfavorable, people could not do anything about it.. But if civilians did something even slightly unfavorable, they could be severely punished. When the people contribute to advance the nation, their efforts go unrecognized, but praise is lavished on officials for small deeds.”¹⁴

From 1923 to 1925, Shibusawa gave a series of lectures on the Analects of Confucius, which became another key source in understanding his views on morality and economy. Going through the Analects line by line, he gave his interpretations of Confucius' thought and illustrated their application using examples from Japanese history and his own life.

In his commentary on Confucian views of learning, Shibusawa said, “Learning is not for oneself. Cultivate character and then act. “Real learning” or *jitsugaku* is applied learning. From 1873, when I was thrust into the business world, until now, I have worked on harmonizing morality and economy. The application of the sage's teachings is the foundation for these efforts. There are many today who can speak beautifully, but lack the courage to act on these principles and apply them to management.”¹⁵ After reviewing the history of the Meiji Restoration and the achievements of the leaders of Modern Japan, Shibusawa said, “Young people, respect your fathers and give your emperor unswerving loyalty. Don't look for personal profit, but seek to profit the country and be faithful to your parents and friends. This is how I see it at eighty-four years old.”¹⁶ By downplaying profit and emphasizing loyalty to family, friends, and nation, Shibusawa attempted to elevate the status of business as not only necessary to the wealth and strength of Japan, but also as a noble calling if pursued

14 Shibusawa Seien kinen zaidan Ryumonsha, *Shibusawa Eiichi Denki Shiryo* (Tokyo: Shibusawa Eiichi denki shiryo kankokai, 1955-1971), bekkai 7, 27-28.

15 Eiichi Shibusawa and Atsushi Moriya, *Shibusawa Eiichi No Rongo Kogi* (Tokyo: Heibonsha, 2010), 30.

16 Shibusawa, *Rongo Kogi*, 32-33

for the right reasons.

Conclusion

In conclusion, we can see that Shibusawa Eiichi was interested in more than simply the fortunes of the Dai Ichi Bank and other companies in which he invested. He recognized that his own success as an individual, and the success of his firms, depended on the institutional and ideological environments in which they conducted their business. Through his promotion of mutual-aid associations like the Tokyo Chamber of Commerce, business education in schools like the Tokyo Commercial College, and the “unity of morality and economy” through the Ryumonsha study group, Shibusawa made a significant contribution to development of late nineteenth and early twentieth-century Japanese business thought and practice.