

Shibusawa Eiichi and the Merger of Confucianism and Capitalism in Modern Japan

By John Sagers

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Viscount Shibusawa Eiichi (1840–1931). Source: Library of Parliament Digital Archives, Wikimedia Commons at <http://tinyurl.com/odvek9b>.

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.

—Shibusawa Eiichi

Modern economic development depends greatly on a favorable institutional framework and a supportive cultural environment, both of which encourage the investment of talent and resources into commercial enterprises. In Japan's Meiji 1868–1912 transition to a modern economy, government oligarchs and business leaders made economic growth a national priority to compete with the Western powers. 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), a financier and industrialist who has often been called the “Father of Japanese Capitalism,” recognized that Japan's modern economic transformation required a more favorable government attitude toward commerce, which was just as necessary as innovations in technology and business practices. To overcome the earlier Tokugawa Era view of merchants as parasites on society and create a more positive image of modern Japanese business leaders, Shibusawa developed a set of ideas that he called the “unity of morality and economy,” attempting to reconcile Confucian ethics with market capitalism.

Revere Officials and Despise the People

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 indigo farmers and customers, and from time to time encountered samurai government officials.

Japan in the mid-nineteenth century was a 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 *kanson minpi*, or “revere officials and despise the people,” a serious hindrance to the development of Japan's national wealth and power. His travels in Europe convinced him that Japan's national prosperity required more vigorous entrepreneurship in the private sector. Two centuries of peace had encouraged a prosperous commercial economy that in many ways had outgrown established political and social hierarchies.

Shibusawa chafed under the prevailing social norms that 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 officials 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 fellow men.”¹ As a young man, therefore, Shibusawa was concerned that the Tokugawa status system promoted abuses of power while discouraging people from developing their talents and abilities.

After American warships commanded by Commodore Matthew Perry forced an unpopular treaty on the Tokugawa shōgun's government, self-proclaimed *shishi*, or “men of high purpose,” carried out terrorist attacks on foreigners and the shōgun's officials, inspiring 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 that was recruiting talented young men to help reform national affairs.

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Left photo:
1867 photo of Tokugawa Yoshinobu, in French military uniform.
Source: *Wikimedia Commons* at <http://tinyurl.com/nq3v2do>.

Right photo:
1866 Shibusawa Eiichi in samurai attire.
Source: *Wikimedia Commons* <http://tinyurl.com/mzk6rzb>.

delegation to the 1867 Paris International 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 Western 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.”² 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.

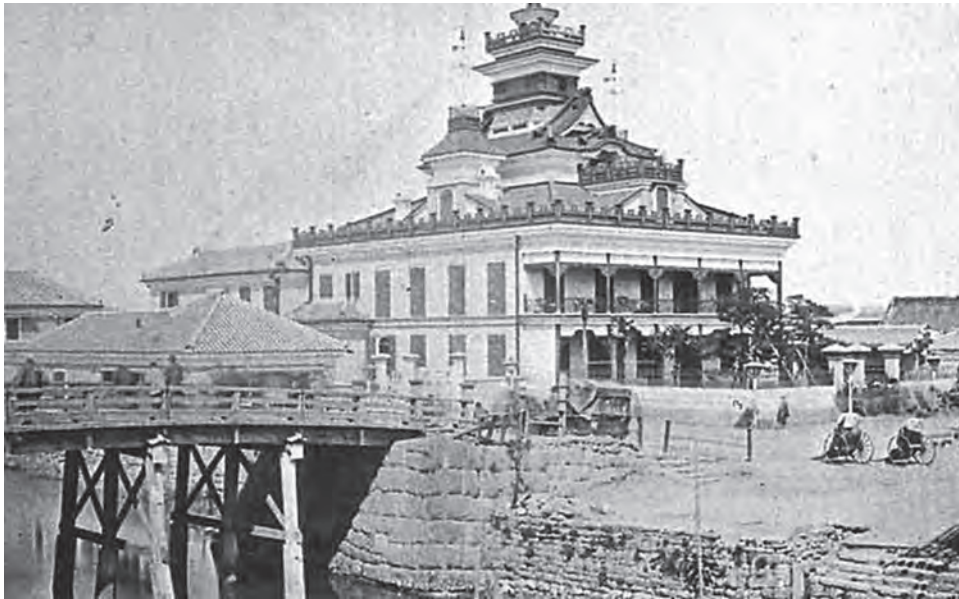
Institutional Reforms

A new government took over Japan in the 1868 Meiji Restoration. The shōgun 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 shōgun were moving to Shizuoka, and the Commercial Association loaned



The Japanese delegation to the Exposition Universelle, around the young Tokugawa Akitake.
Source: *Wikimedia Commons* at <http://tinyurl.com/q2s2djx>.

them funds to establish new businesses in 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. While similar regional trade offices in other regions failed due to lack of funding, Shibusawa was successful in soliciting the cooperation of the powerful merchant houses of Ono and Mitsui to create viable enterprises.³



Left: The Dai-ichi Kokuritsu Ginko (First National Bank in Japan) in the latter half of the nineteenth century. Source: *Wikimedia Commons* at <http://tinyurl.com/noo2fyy>. Right: The Dai-ichi Kangyō Bank head office near the Imperial Palace in Tokyo, now known as the Mizuho Bank Head Office. Source: *Wikimedia Commons* at <http://tinyurl.com/l6w6c3a>.

To encourage the investments necessary for **Japan's economy to prosper, Shibusawa** realized that it was important both to overcome investor fears and promote socially constructive business behavior.



Top: Oji (Fuji) papermill, ca. 1890.
Left: Oji Holdings headquarters today in Tokyo, Japan. Source: *Wikimedia Commons* at <http://tinyurl.com/mfou8f8>.



The Meiji central government's Ministry of Finance recognized Shibusawa's successful work in Shizuoka and in 1869 invited him to join the bureau charged with reforming tax and currency policy. Shibusawa's official career, however, soon fell victim to factional politics. Leaders from the domains of Satsuma and Chōshū controlled the Meiji government, and Shibusawa was not part of this inner circle. The military, justice, and education ministries were scrambling for funds. Shibusawa and his patron at the Finance Ministry Inoue Kaoru believed that government appropriations should be withheld until it was clearer how much tax revenue could be expected. Ōkubo Toshimichi of Satsuma, on the other hand, believed that appropriations should be made immediately. Shibusawa would later recall, "Ōkubo—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 understanding the most rudimentary economic principles."⁴ 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 *Dai Ichi Kokuritsu* or First 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 Ōji Paper, Osaka Cotton Spinning, Tokyo Electric, the Imperial Hotel, and Japan Rail.⁵ In 1898, Shibusawa served on thirty-one boards of directors.

Prominent directors like Shibusawa were important in helping new companies accumulate capital because these directors monitored performance and certified fledgling firms' credibility to potential shareholders. 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.⁶ As a financier, Shibusawa was in the business of assessing risk and determining 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 the investments necessary for Japan's economy to prosper, Shibusawa realized that it was important both to overcome investor fears and promote socially constructive business behavior.

Entrepreneurial Philosophy

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.⁷

The Tokyo Chamber of Commerce became an important vehicle for Shibusawa to promote business activity and the ideas that supported it.

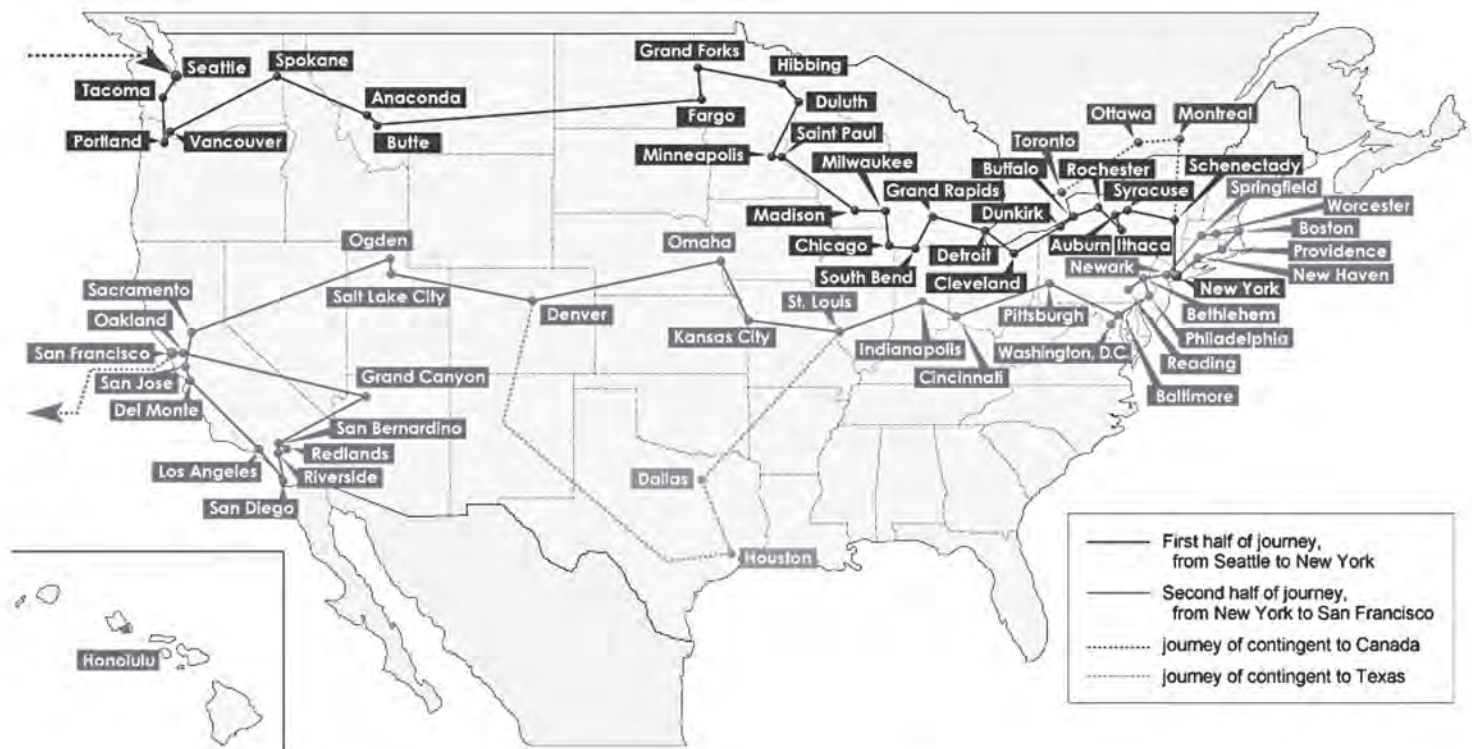
In the early twentieth century, the chamber would also become a key element of Shibusawa's civilian diplomacy as it hosted business leaders from overseas and dispatched prominent Japanese financiers and industrialists abroad to improve commercial relations. In 1909, Shibusawa led a group of businesspeople, including Nakano Buei, chairman of the Tokyo Stock Exchange, and Nezu Kaichirō, president of Tōbu Railway, from the Tokyo Chamber of Commerce on a three-month tour of the United States. Welcomed by chambers of commerce in American cities such as Seattle, New York, and Washington, DC, the delegation discussed issues of commercial relations and the status of Japanese immigrants in the United States.⁸ 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 business education. In 1875, Mori Arinori established the School for Business Training, and in 1889, the school became a government school under the Ministry of Education. At a dinner organized by alumni in his honor, Shibusawa said:



From the December 1909 issue of *The World's Work*, Volume 19, Number 2. The caption that appears under photo reads: "Baron Shibusawa, The principal industrial and financial leader of Japan. The head of the commission of commercial men who have been visiting the United States for three months". Source: *Archive.org* <http://tinyurl.com/>

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1909 Business Mission Home ↗

Drawing on his education in the Chinese and **Japanese classics and his work as a financier** and industrialist, Shibusawa developed a vision of modern Japanese capitalism compatible with older Confucian ethical values.

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.⁹

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 elevate the educational level and status of business managers.

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 philosophy. Through his work with the Tokyo Chamber of Commerce, as well as his support and close connections with business educators and students, Shibusawa had the institutional means to promote his vision for the development of Japan's economy and business profession.

Unity of Morality and Economy

In the December 15, 1904, issue of *Foreign and Domestic Business Newspaper (Chūgai Shōgyō Shinpō)*, Shibusawa explained that poor health was forcing him to gradually step down from his business positions. In a retrospective of his career, he reiterated the need for intellectual change to modernize Japan. When trying to reform politics, finance, the military, and the legal system, Shibusawa noted that the Meiji leaders found old ways of



1st Viscount Shibusawa Eiichi in New York City in 1915.
Source: Wikimedia Commons at <http://tinyurl.com/mcej6c5>.

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.¹⁰

In retirement, Shibusawa gave many speeches increasingly focused on the “Unity of Morality and Economy.”¹¹ Many of these speeches were sponsored by the *Ryūmonsha*, or Dragon's Gate Study Group, which derived its name from the classical Chinese story of small fish who turned into soaring dragons if they managed to swim upstream and leap the imposing waterfall at the Dragon's Gate. A group of Shibusawa's followers, studying the adaptation of Western business practices to the Japanese cultural context, formed the *Ryūmonsha* in 1885. Shibusawa frequently gave speeches on the importance of business ethics at *Ryūmonsha* meetings, but in 1907, he more explicitly described the *Ryūmonsha's* mission to spread the Confucian Way of Sages in business and promote benevolent virtue in society. After his retirement in 1909, the *Ryūmonsha* became even more focused on taking Shibusawa's Confucian ethical message beyond the study circle to the wider public.¹²

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 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

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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.”¹³

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’s thoughts 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.*¹⁴

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.*¹⁵

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 for the right reasons.

Conclusion

Shibusawa Eiichi was an exceptional leader in Japan’s modern economic transformation because he understood both the material productivity of well-managed capitalist enterprises and old Japanese suspicions of self-serving merchants. To bridge the gap between these two perspectives, Shibusawa regularly exhorted business owners and managers to work for the public interest and earn the people’s trust and respect. He called on government officials and the public to recognize the importance of thriving business enterprises to national security and prosperity. Drawing on his education in the Chinese and Japanese classics, and his work as a financier and industrialist, Shibusawa developed a vision of modern Japanese capitalism compatible with older Confucian ethical values. 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 Ryūmonsha Study Group, Shibusawa made a significant contribution to development of late nineteenth- and early twentieth-century Japanese business thought and practice. ■

NOTES

1. Shibusawa Eiichi, *Autobiography of Shibusawa Eiichi: From Peasant to Entrepreneur* (Tokyo: Tokyo University Press, 1994), 13.
2. Shibusawa, quoted in Jun Inoue, “Shibusawa Eiichi: Kindai Nihon Shakai No Sōzōsha,” [Shibusawa Eiichi: Creator of Modern Japanese Society] *Nihonshi Riburetto Hito* [People in Japanese History] (Tokyo: Yamakawa shuppansha, 2012), 34.
3. Masakazu Shimada, *Shibusawa Eiichi: Shakai Kigyōka No Senkusha* [Shibusawa Eiichi: Pioneering Social Entrepreneur] (Tokyo: Iwanami shinsho, 2011), 30–34.
4. Shibusawa, *Autobiography*, 139.
5. See chart in Teiji Kenjō, *Shibusawa Eiichi: Dōtoku to Keizai No Aida, Hyōden-Nihon Keizai Shisō* [Shibusawa Eiichi: Between Morality and Economics, A Critical Biography—Japanese Economic Thought] (Tokyo: Nihon keizai shimbunsha, 2008), 58–59.
6. 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 (2002): 273–301.
7. Shibusawa, quoted in Kenjō, 49.
8. Masato Kimura, *Shibusawa Eiichi: Minkan Gaikō no Sōshisha (Chūkō Shinshō)* [Shibusawa Eiichi: The Founder of Private Diplomacy] (Tokyo: Chūō kōronsha, 1991), 73–92.
9. Shibusawa, quoted in *Kyūgorō Obata, An Interpretation of the Life of Viscount Shibusawa* (Tokyo: Tokyo Printing Company, 1937), 158.

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—Shibusawa Eiichi



Shibusawa Eiichi with his wife the Baroness Shibusawa Kaneko. Source: the Japanese blog omugio, at <http://omugio.exblog.jp/m2003-01-01/>.

10. Shibusawa Seien Kinen Zaidan Ryūmonsha, *Shibusawa Eiichi Denki Shiryo* [Ryūmonsha: Shibusawa Eiichi Memorial Foundation, *Shibusawa Eiichi Biographical Materials*], bekkann 6 (Tokyo: Shibusawa Eiichi denki shiryō kankokai, 1955–1971), 317–318.
11. Kazuhiro Tanaka, “Dōtoku Keizai Gōitsu No Shini,” *Shibusawa Eiichi to Hitodukuri*, [“The Unity of Morality and Economy,” *The Development of Human Resources by Shibusawa Eiichi*] eds. Takeo Kikkawa, Masakazu Shimada, and Kazuhiro Tanaka (Tokyo: Yūhikaku, 2013), 58.
12. Kenjō, *Shibusawa Eiichi*, 135–136.
13. Shibusawa Seien kinen zaidan Ryūmonsha, *Shibusawa Eiichi Denki Shiryo*, [Ryūmonsha: Shibusawa Eiichi Memorial Foundation, *Shibusawa Eiichi: Historical Biography*], bekkann 7 (Tokyo: Shibusawa Eiichi denki shiryō kankokai, 1955–1971), 27–28.
14. Eiichi Shibusawa and Atsushi Moriya, *Shibusawa Eiichi No Rongo Kōgi* [Shibusawa Eiichi’s Lectures on the Confucian Analects] (Tokyo: Heibonsha, 2010), 30.
15. Shibusawa, *Rongo Kōgi*, 32–33.

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