

Book Reviews

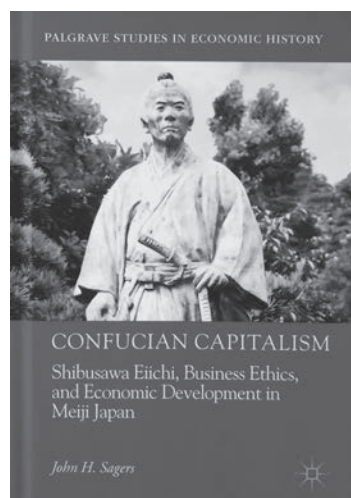
Review of John H. Sagers, *Confucian Capitalism: Shibusawa Eiichi, Business Ethics, and Economic Development in Meiji Japan* (Palgrave Studies in Economic History, Palgrave Macmillan, 2018)

Janet HUNTER*

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Shibusawa Eiichi, whose life spanned ninety years from 1840 through to his death in 1931, is often referred to as ‘the father of Japanese capitalism’. He played a crucial role in the emergence of modern business in Japan during the late nineteenth – early twentieth centuries, and his contribution will be formally acknowledged by his image on Japan’s new ¥10,000 bank note, due out in 2024. He was associated with the establishment and management of hundreds of new businesses as Japan introduced Western forms of corporate organisation and transformed many aspects of its economy before the First World War. But Shibusawa was not just a businessman. In later life he also devoted a great deal of thought to the issues of business practice, the nature of capitalism, and business ethics, seeking to inculcate in Japan’s business community a set of values that were in accordance with the ethics of Confucius. Indeed, he articulated a new form of ‘ethical’ capitalism that he believed would allow the community as a whole to benefit from the development of capitalist enterprises. As the title of this book indicates, it is this aspect of Shibusawa’s career that is the main focus of the John Sagers’ book.

The literature on the business career and values of Shibusawa Eiichi has expanded considerably over the last two decades, and John Sagers has taken



* Emeritus Professor, London School of Economics

advantage of that literature while also finding an approach that enables him to make an original contribution, particularly in the context of the English language scholarship. The book consists of eight substantive chapters. The introduction seeks to locate Shibusawa's ideas within debates over the value of Confucianism in East Asia's late nineteenth century modernization, the gestation of contemporary approaches to corporate social responsibility (CSR), and concepts of 'Confucian capitalism', a phrase that, the author acknowledges, is both contested and ambiguous. Essentially the objective of the study is to make a contribution to broader debates on the social responsibilities of business and the role that can be played by the various stakeholders, including business associations, government and educational institutions. Chapters 2 and 3 provide an outline of the late Tokugawa period environment that framed the first 28 years of Shibusawa's life and the first decade following the Meiji Restoration of 1868, during which the new government transformed the framework for economic development. Sagers argues that the tensions of the late Tokugawa period were crucial in shaping many of Shibusawa's subsequent ideas, while his later views on the union of morality and economy were rooted in the Tokugawa peasant economy. The process of 'rural industrialisation' in Japan from the late eighteenth century had led to the justification of commercial ambitions (traditionally the prerogative of the formally low-status merchant class) in terms of the dominant samurai ethic. By the late 1860s Shibusawa was in the service of the ruling Tokugawa house, which took him to Paris in 1867, and then after the Restoration he entered the service of the new government, remaining there until 1873, when he resigned to promote business activities in the private sector. The 1870s witnessed his first attempts to promote the joint stock company form of organisation, and in particular the founding of the Daiichi Bank, which spearheaded the development of modern banking institutions and with which Shibusawa retained a lifelong connection. Through this and numerous other new business ventures, Shibusawa put into practice his principles of bringing together and using resources to build enterprises that would serve the interests of the nation, and at the same time prioritising long term over short term investment.

Chapter 4 explores further the issue of the ethical entrepreneur focussing on the national interest. The overall theme of the chapter is the emergence of the new *jitsugyōka* businessman, who had a distinct identity compared with Japan's traditional merchant families, and who was able to build up a network of trusted associates through the use of the joint stock company and other institutions, and, as Shibusawa believed, a shared Confucian capitalist ideology. These *jitsugyōka* differed from the founders of the big *zaibatsu* (business groupings) that emerged, acting more along the lines of 'commu-

nity-centred' entrepreneurs.¹ Bringing together the traditional samurai spirit and the expertise traditionally associated with the merchant class, they would consider carefully the ethical implications of their business decisions and achieve a compromise between the traditional emphasis on duty and the more modern emphasis on individual rights and liberty. Their Confucian emphasis also allowed a more pan-Asian perspective.

Chapters 5-7 explore how these broad ideas worked out in practice by looking more explicitly at the dilemmas of civilian versus military expenditure, the involvement of Shibusawa (and others) in international civilian diplomacy, and the social context and implications of Japan's rapid economic growth. Notwithstanding Shibusawa's overriding dedication to the national interest, Sagers argues, he was a consistent advocate of the private sector rather than the state, and in many cases opposed to the more militarist policies pursued by the state. While acknowledging the need for some military expenditure, he was often critical of government financial policies and military investment, arguing that civilian investment would yield more benefit than investment in the military. This tension became particularly problematic in the wake of the Russo-Japanese War of 1904-5, as Japan engaged in increased foreign borrowing. A firm supporter of financial orthodoxy, Shibusawa was opposed to Japan's going on the gold standard in 1898 (although he later acknowledged it was not as detrimental as he had feared), and expressed concern that consumption might outstrip production and investment, leaving the government with mounting debts (p.149). Shibusawa also participated extensively in the international networking of business communities. By the 1890s he already had strong connections with Korea through the Daiichi Bank, and he extended his engagement in civilian diplomacy between Japan and other countries, particularly as he gradually retired from direct management responsibilities from 1909 onwards. His own image as an ethical entrepreneur that helped to strengthen this role, however, did not always go unquestioned. He was heavily criticised for his involvement in the Japan Sugar scandal in 1909, for example, when the Japan Sugar Company, which Shibusawa had helped found and of which he subsequently became an advisor, was found to have paid substantial bribes to a number of members of the Diet. Despite this, however, he persisted in his emphasis on the importance of some kind of spiritual or religious dimension in the achievement of a stronger state and the development of an international context with a view to the maintenance of peace.

1 The term 'community-centred entrepreneur' was coined in Gustav Ranis, 'The Community-Centered Entrepreneur in Japanese Development', *Explorations in Entrepreneurial History* X111, 1955.

At home, Shibusawa sought to refine and publicise his ideas through a series of lectures that were eventually published as *Rongo to Soroban (The Analects and the Abacus)*, which became the best known foundation stone of his idea of the identity of morality and economy. Confucius, suggested Shibusawa, did not argue against profit *per se*, as long as any profits were earned in a moral way. Pursuing this kind of ethical business strategy allowed for the active pursuit of the public interest, and in business led to an emphasis on reciprocal obligations within and between companies. What of those, however, who worked for the modern companies that were helping the Japanese economy to grow and who by the time of the First World War were beginning to articulate their dissatisfaction with the terms and conditions of their employment? Or those excluded from the benefits offered by the transformation that was taking place? Shibusawa believed strongly that it was for the private sector to sort out labour-management problems without intervention from the government, but he also argued strongly that mutual aid was needed to assist the poor and the excluded.

The final chapter of the book offers a brief but informative overview on how Shibusawa's legacy has been perceived and sustained. There is a useful discussion of the scholarship on Shibusawa, although some of this might have been more valuable to the reader nearer the start of the book. The author then emphasizes the complexity of the overall Shibusawa narrative, considering its longer term trajectory, its adoption by the employers' organisation, the Keidanren, in the postwar period, and the influence of Shibusawa's descendants in sustaining interest in his career and ideas and providing rich resources for its study. Sagers concludes the book by drawing attention to the potential value of Shibusawa's ideas in the context of more contemporary economic turmoil, which may have generated a receptive audience for them.

Confucian Capitalism is a work that embodies a significant depth of scholarship, and will become a key reference source for all those with an interest not just in Shibusawa Eiichi, but in the development of business and business ethics in Japan and elsewhere. The author has made extensive use of key Japanese language primary sources relating to Shibusawa, and demonstrates a substantial knowledge of the relevant secondary literature. While the organisation of the text is broadly chronological, this is not a purely chronological account of Shibusawa and his achievements. Rather it seeks to embed him in the wider context of his life and times, and to consider the broader relevance of his ideas beyond the time period of his life. There is always a risk when writing about leading historical figures, particularly those deemed 'successful' or to have had a beneficial influence on society, that a biographical approach can appear dangerously laudatory, but this book is far from hagiography. Sagers is willing to question the motives of his subject. Some of

Shibusawa's criticisms of the government, he suggests, were lacking in specificity, while some of his statements regarding government policy can be seen as potentially self-serving (p.133). His attitudes towards women were in many respects ambiguous. He was far from immune to personal failings, and was genuinely shocked by the criticism of his role, especially the criticisms levied at his ethical stance, in the wake of the Japan Sugar scandal, when the company's president, Sako Tsuneaki, committed suicide. And Sagers' comment that Shibusawa was in some ways not so different from social conservatives elsewhere lamenting the past and worrying about how to cope with change (p.208) helps to remind us that, whatever his strengths and contribution, Shibusawa shared a great deal with his human contemporaries.

What this book also does is provide a more fleshed out picture of Shibusawa's views on what the objectives of capitalism were, what it should stand for, and how it should operate. Through his writings and his lectures, Shibusawa left a corpus of work informed by his study of Confucian beliefs that indicated how business could put into practice what he called *gappon* principles, the concept of a system of capitalism that considered not just the interests of owners and shareholders, but the interests of all stakeholders in a business, including those who worked within it and those who consumed its products, as well as the purpose to which it put its profits. At the heart of his thinking was consideration of the appropriate relationship between the government and the private sector, and the associated intention to go beyond the traditional Chinese Confucian view that public service was the highest calling to confirm the validity of business and economic development as a national and personal objective. States were always going to be necessary, of course, and, as Sagers makes clear, for Shibusawa the nation provided the higher 'person' necessary to legitimate the pursuit of profit. Shibusawa's ideals did not, however, preclude a strong degree of pragmatism in response to the circumstances of the time. He was, for example, a strong proponent of free trade, but accepted that under certain circumstances a degree of protectionism might be necessary or desirable, particularly for a developing economy seeking to establish new industries in the difficult international environment of the early twentieth century. Shibusawa, as the author shows, was very much part of his time, but one of his major contributions was a more transcendent one, namely 'the ability to translate new ideas into terms that established elites could accept' (p.227). It is this ability to reconcile the virtues of the new with the strengths of tradition that is surely one of the keys to Japan's industrialisation and economic growth up to the Pacific War. But even so, as Sagers concludes, it remains on occasions difficult to pin down the exact practical implementation of Shibusawa's ideas: 'Confucian capitalism as Shibusawa practiced it was not so much a specific code of conduct

as it was an extended meditation on the ethical and economic implications of a business decision.’ (p.215)

The book offers some tantalising glimpses of the possibilities of comparative analysis in exploring concepts of business organisation and business ethics. The Confucian emphasis naturally raises the comparison with China and Korea, and the sociological literature on Confucian models of development in Asia. In Chapter 6 Shibusawa’s views are compared with those in US business circles, particularly with Andrew Carnegie’s understanding of the role of entrepreneurs in society. This reader would have liked more such analysis, allowing us to consider Shibusawa’s ideas and Japan’s business modernisation in a comparative framework that sheds new light on the Japanese case and allows it to inform our understanding of other countries’ development. This, though, is perhaps the next step. Sadly, the book suffers from poor copy editing and proofreading, which means that the presentation does not match up to the academic content of the volume, and it is to be hoped that this can be addressed by the publisher, at least in the online version of the text. Despite this, John Sagers’ book will be a ‘go to’ read for all those with an interest in this area.