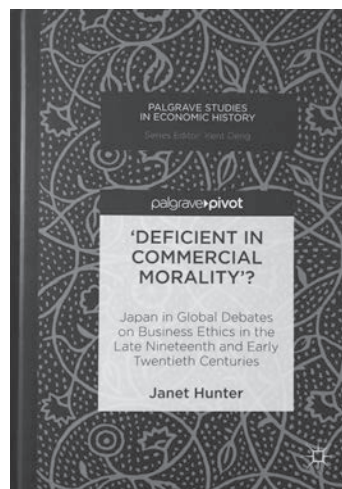


Review of Janet Hunter, *'Deficient in Commercial Morality'? Japan in Global Debates on Business Ethics in the Late Nineteenth and Early Twentieth Centuries*. Palgrave Macmillan, 2016.

Patricia SIPPEL\*

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Amid the general explosion of interest in the place of morality in the global economy, recent scholarship on Japan has examined the emergence of a distinctively Japanese mode of business ethics in the modern era. A multi-year project sponsored by the Shibusawa Eiichi Memorial Foundation examined the efforts of the entrepreneur Shibusawa Eiichi (1840-1931) to develop a Confucian-inspired form of ethical capitalism. It resulted in the production of two volumes: one in Japanese published in 2014 and an English version published in 2017.<sup>1</sup> Janet Hunter's contribution to these volumes argued that Shibusawa's ideas, while drawing on Japanese sources, were also part of an international discourse on the norms of commercial behavior that were sparked by the nineteenth century expansion of commerce in Britain and the industrializing West. A key concept in that broader discourse was "commercial morality," a term used until the early twentieth century to describe what today is more commonly referred to as business ethics. In *'Deficient in Commercial Morality'? Japan in Global Debates on Business Ethics in the*



\* Professor Emerita, Toyo Eiwa University

<sup>1</sup> Patrick Fridenson and Kikkawa Takeo, eds, *Gurobaru shihonshugi no naka no Shibusawa Eiichi: Gappon kyapitarizumu to moraru* (Toyo Keizai Shinposha, 2014); Patrick Fridenson and Kikkawa Takeo, eds, *Ethical Capitalism: Shibusawa Eiichi and Business Leadership in Global Perspective* (University of Toronto Press, 2017).

*Late Nineteenth and Early Twentieth Centuries*, Hunter builds on and expands her research conducted for the Shibusawa project. She introduces the content and context of the nineteenth and early twentieth-century debates on commercial morality, focusing on Western criticisms of perceived Japanese deficiencies and on Japanese responses to that criticism. Hunter argues that an examination of these debates both clarifies an important link in the history of contemporary business ethics and enhances our understanding of criticisms directed at China and developing economies today.

This book was produced in the Palgrave Pivot series, which publishes new research at lengths longer than journal articles but shorter than conventional monographs. The 116 pages are organized into five chapters, of which chapters 1 and 5 form the Introduction and Conclusion respectively. In Chapter 1, Hunter introduces the concept of commercial morality. She notes that, in an era of expanding international commerce, attention to the ethics of business transactions was prompted by the absence of a generally accepted global standard of business behavior, the increased possibilities for cheating in an era of rapid economic change, and the inadequacy of legislation to enforce ethical behavior in commerce. The calls for commercial morality reflected efforts in the economically advanced West to establish rules to guide the conduct of everyday business transactions. As Japan increased its participation in the international economy from the late nineteenth century, it became a particular target of Western criticism for its alleged failure to adhere to the newly articulated Western tenets or, as frequently claimed, its “deficiency” in commercial morality.

Chapter 2 examines the content of the term commercial morality as it emerged in discussions from the early nineteenth century. Drawing on commentary in contemporary books, newspapers, and the *Economist* magazine, Hunter points out that, in contrast to earlier Christian-inspired discussions of issues such as the morality of profit making, discussions of commercial morality focused on adherence to the more specific rules required in the conduct of business transactions. Such rules could be expected to check widely reported abuses such as breaking contracts, adulterating goods, and fraud. By the end of the nineteenth century, the debates had spread from Britain to the industrialized economies of Western Europe and North America and issues relating to international transactions such as credit, trust, and national reputation became more important. It was generally believed that, although cheating and other abuses might deliver an immediate profit, long-term success depended on honest adherence to rules. As Britain and other industrial nations compared their standards with the rest of the world, they envisaged a “global hierarchy of commercial morality” (24) which confirmed their positions relative to newcomers such as Japan.

In Chapter 3, Hunter focuses on the accusations of moral weakness leveled by Westerners at Japan. She uses contemporary accounts, including consular and diplomatic reports, by Westerners to show that, from the beginning of treaty negotiations in the 1850s, they saw Japanese people as generally deceitful, dishonest, and lacking in integrity. After international trade was launched, they accused their Japanese counterparts of breaking contracts and supplying substandard goods, echoing criticisms addressed to an earlier generation of British merchants. From the 1890s, when extraterritoriality ended and Western people became subject to the Japanese legal system, their criticisms of the “defective” morality of the Japanese intensified and new concerns such as brand and trademark fraud became widespread. Throughout, the perception persisted that Japanese moral standards were particularly low, even lower than those of the Chinese. Why such harsh evaluations of Japan? Amongst those who saw the criticisms as valid, one reason offered was the relatively low status of Japanese merchants before the modern era. Hunter asserts that it is difficult to assess the extent to which the criticisms of Japan were based on fact. She notes that by the mid-nineteenth century, clear views had emerged in Britain and elsewhere on the relative levels of commercial honesty of various countries and ethnicities and that, once acquired, reputations based on perceived cultural difference were not easily shed. However, she suggests that uneasiness in the face of Japanese competition was also a factor: “A major reason for this position of Japan at the bottom of the commercial morality hierarchy, I would suggest, was Japan’s growing role in international trade and the threat that it appeared to pose to the status quo” (53).

Japanese responses to Western assessments of its commercial morality are the focus of Chapter 4 – to me, the most fascinating section of the book. Hunter makes use of newspaper commentaries, government statements, and academic writing to support her argument that, at least from the 1880s, Japanese media, business and government leaders largely accepted the factual basis of Western claims. They, too, saw traditional negative attitudes to merchant activity as a cause of current bad behavior, and were keen to build a new style of entrepreneurship that was appropriate for modern Japan. Among the examples Hunter cites, the journal *Jitsugyō no Nihon*, founded in 1897, argued that the situation in which poorly educated merchants sold poor-quality products was harmful to Japan’s international reputation; it was therefore in the national interest to address foreign criticisms of Japanese business practices. Among government leaders, Foreign Minister Katō Takaaki noted in 1900 the unfavorable comparisons of Japan with China and declared improvement of commercial standards a matter of urgency. And a new generation of entrepreneurs including Masuda Takashi and Asano

Sōichirō worked to build an ethical business culture that would be followed at home and respected overseas. Concrete measures included commercial education, legislation against patent and trademark fraud, and business missions abroad. Most Japanese elite recognized that Japan had to play by Western rules and believed that commercial morality would improve as Japan approached Western levels of civilization. However, concerns about invidious comparisons with China and other countries persisted.

In Chapter 5, Hunter briefly sets out her two main conclusions. First, she distinguishes the concern with commercial morality - which she sees as directing a “micro-level” focus on day-to-day business transactions - from broader “macro-level” discussions of profit making and morality, often founded on religious traditions and found across cultures and through the centuries; Shibusawa Eiichi’s efforts to develop ethical capitalism exemplified this broader stream of thought. Hunter argues that, in its concern with strict rules or “business habits” developed to curb abuses, develop trust, and ensure product quality, the commercial morality of the nineteenth and early twentieth centuries was an important, though often overlooked, antecedent of contemporary business ethics. Second, Hunter draws a parallel between the circumstances of Japan’s expanded participation in the world economy of the nineteenth and early twentieth centuries and those surrounding new global economic competitors today. In particular, she sees the recent criticism of Chinese commercial practices, including sub-standard production and violations of intellectual property rights, as reminiscent of the charges of commercial immorality once directed at Japan. Japan’s experience as the first non-Western nation to emerge as a genuine competitor in the global economy indicates the challenges that can be expected both for new participants having divergent or unclear codes of business practice and for their international trading competitors.

*‘Deficient in Commercial Morality’?* is a thoughtful and thought-provoking study that offers insights into issues of business ethics and into Japan’s emergence as a modern economic player. The argument is clearly expressed, is supported by a wide variety of Western and Japanese documentation, and is made accessible through chapter abstracts, keywords, and headings. There are at least three ways in which this book expands our understanding of modern Japan. First, in an era of growing nationalism and national self-confidence, the response of Japanese government and business leaders in addressing rather than simply refuting foreign criticism shows a pragmatism and a global awareness that help to explain Japan’s continuing

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2 See, for instance, essays in Masayuki Tanimoto, ed., *The Role of Tradition in Japan’s Industrialization: Another Path to Industrialization* (Oxford University Press, 2006).

successes in the international economy. Second, the concern with commercial morality in Japan and abroad provides context to the continued efforts of trade associations and other groups in small, traditional (*zairai*) industries such as silk-reeling, weaving, and pottery to conduct product inspections, brand development, and other measures aimed at raising the quality of their products for the domestic or international markets.<sup>2</sup> Finally, by including a discussion of Western evaluations of Chinese commercial morality and Japanese responses to their apparently lower evaluation, Hunter broadens our understanding of Japan's modern transformation beyond the simple "Japan and the West" axis.

The book also raises issues for further consideration. First, a study of perceptions raises the question of how firmly they were grounded in reality. Hunter's objective, as stated in Chapter 1, is to answer three questions: where foreign accusations against Japan came from, what evidence they were based on, and how the Japanese people responded (2). While she offers detailed answers to her first and third questions, Hunter's response to the second is less conclusive. She notes that Japanese merchants engaged in "bad behavior," but argues that the earlier charges of morality, "whether justified or not," and the later, "more substantive" charges of dumping were inspired by fear of Japanese competition (52-53). The book's three tables are offered to show Japan's growing importance in world trade rather than its infringements of business ethics. It is hoped that further research might uncover the level of actual indications both of Japanese malpractice compared with China and other countries and of changes in Japanese business ethics over time.

The issue of change raises a further question regarding twentieth century shifts in foreign criticisms of Japan and Japanese responses to foreign criticism. Hunter's examples are drawn primarily from the mid-nineteenth century into the 1920s, years in which Japan's growing success in international trade offered incentives for it to comply with the rules of business ethics created by the West. She asserts that complaints about Japan receded, but did not disappear in the early 20<sup>th</sup> century, ready to resurface in the early postwar years. About the intervening 1930s the book says little. Hunter reports that Western complaints focused on cheap labor, dumping, and unfair competition but she does not describe Japanese responses in an environment when the rewards of compliance were by no means guaranteed. Though outside the scope of this book, analysis of the discourse on business ethics in an era of international mistrust may be relevant to the discussions of the contemporary world with which Hunter concludes the book.

*'Deficient in Commercial Morality'?* is a small book that carries substantial messages and raises important questions. It is valuable reading for those interested in business ethics past and present, in Japan and the world.

