

Shibusawa Eiichi: The Businessman as Public Figure

By William D. Hoover

Introduction

In a time of moral uncertainty and domestic concern over Japan's international image of its business community, a brief examination of Shibusawa Eiichi, Japan's outstanding business leader of the Meiji period (1868-1912), may be instructive. Shibusawa was Japan's best-known industrial pioneer and organizer, promoter, or supporter of approximately 500 businesses. This premier business leader bridged the transition from the traditional business mentality to modern business practices. He was an outstanding promoter of Japan's economic modernization. He was also a strong spokesman for and a contributor to modern education. He was an energetic supporter of internationalism and harmonious relations among nations. Finally, Shibusawa had a strong sense of civic spirit. The relevance of Shibusawa's life and experience to contemporary Japan is striking.

Shibusawa was born in Jan. 5, 1841 in the farming village of Chiaraijima, north of Tokyo. His father was a rich farmer who engaged in the production and commercial handling of indigo, sericulture and other agricultural products. The young Shibusawa received more schooling than the average farm youth of his day. Like a samurai, Shibusawa received training in fencing, calligraphy and Confucian philosophy. Inspired by his father, Shibusawa mastered the *Three Character Classic* and studied the other Confucian teachings.

The Activist in the Late Edo Period (1603-1867)

By 1863, Shibusawa with his developing sense of public responsibility could no longer tolerate Japan's oppressive system. The 22-year-old Shibusawa brazenly asked permission to abandon his responsibility as successor to the family headship. Provoked by foreign intrusions, Shibusawa vented

his youthful anger by joining a movement to rid Japan of its invaders. Together with other young exponents of anti-foreignism, he plotted an attack on the foreign settlement at Yokohama.

Following this aborted plan, Shibusawa fled to Kyoto. There, he met Hiraoka Enshiro, a retainer of Tokugawa Yoshinobu, the 15th Shogun at the time. Hiraoka saw Shibusawa's potential and persuaded him to become a retainer of Yoshinobu. Shibusawa accepted Hiraoka's offer in 1866. The abrupt change from participant in the anti-Shogunate movement to agent for the Tokugawa family caused Shibusawa serious pangs of conscience, but he used this opportunity to convey his ideas for the reform of the Shogunate system.

As Yoshinobu's retainer, Shibusawa successfully applied his practical business knowledge to improve the administrative and financial affairs of the Tokugawa domain. He helped enrich the Tokugawa coffers by overhauling the system of economic production and distribution. When Yoshinobu ordered him to accompany his younger brother to Europe, Shibusawa willingly accepted this opportunity to travel abroad.

The European Experience

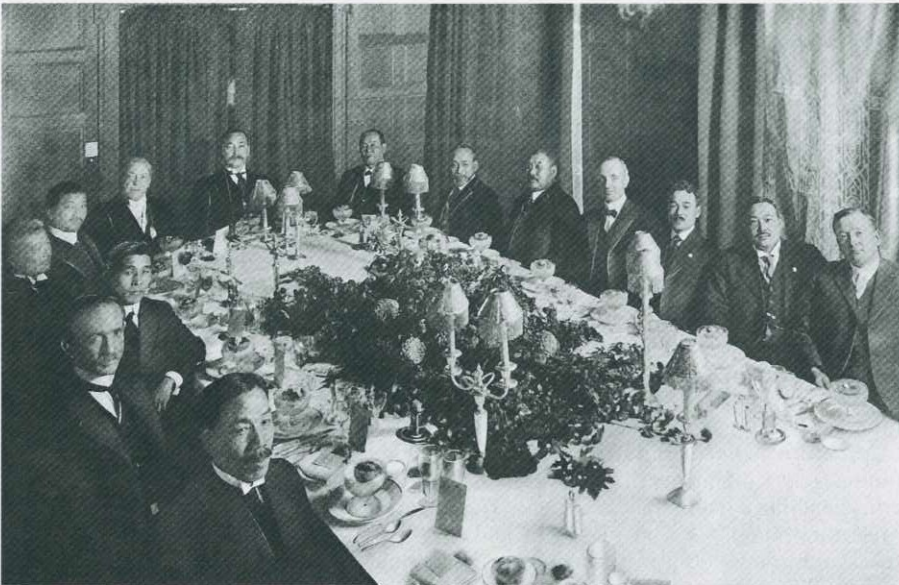
Foreign travel was an eye-opening experience for the young Shibusawa. Living in Europe for nearly two years was a particularly exciting adventure. He journeyed to Europe in 1867 as a retainer of the younger brother of the Shogun. This group also represented the Tokugawa government at the Paris International Exposition and studied conditions in the West. Although he began this European trip as an anti-foreign devotee, Shibusawa's observations in Europe quickly convinced him of the futility of driving the "barbarian" from Japan's shores.

In Europe, the inquisitive Shibusawa took a great interest in everything

around him. Western foods and eating habits, especially the consumption of large quantities of milk and coffee, amazed him. Gas street lamps, telegraph wires, train rides and the municipal amenities fascinated him. His diary reveals the enthralment with which he witnessed French military reviews, inspected schools, reverberatory furnaces and various machine shops, and visited silk spinning factories. He stood in awe of the majesty of Emperor Napoleon III and his court, theater performances, parties and costume balls. In Switzerland, Belgium and the Netherlands, he saw what industry and commerce could accomplish for a nation. Italy's dockyards, factories and iron foundries revealed their potential. Witnessing a military ceremony, touring textile mills and having an audience with Queen Victoria all elevated the status of Great Britain.

European travel opened new vistas for Shibusawa in the business world. The flourishing economic activity shocked and spurred him to action. Extensive observations of the European industrial world convinced him that the source of wealth and power of any country rests with its commerce and industry. Seeing the flourishing European industrial might, Shibusawa accepted the view that Japan's future was contingent on economic and technological development.

Four specific European observations greatly influenced Shibusawa's entrepreneurial career and public life. First, the favorable social status and respect that European businessmen enjoyed deeply impressed him. In direct contrast to the negative image attached to merchant activity in traditional Japan, Shibusawa saw the European businessman moving in the highest social circles, working as equals of government officials and having a place of respect in his society. Secondly, by observing that the European businessman owned and operated his business enterprise in



Shibusawa Eiichi (7th from the right) at a banquet with Japanese and Western businessmen

cooperation with others, Shibusawa discovered the advantages of the joint-stock corporate form of business. He concluded that the joint-stock form of organization enabled the creation of large-scale industrial organizations that were impossible under individual capitalization. Thirdly, Shibusawa observed the stock exchanges and banks in Europe, and found them so impressive that he felt Japan must develop the same. Later he would play a major role in the promotion of banking and the stock exchange in Tokyo. Finally, the way French businessmen contributed to various philanthropic causes aroused Shibusawa's admiration. Shibusawa resolved to implement these European features in Japan.

Shibusawa as Government Official

Shibusawa soon had a chance to implement the European ideas through official channels. In 1869, he reluctantly postponed his business career and yielded to Okuma Shigenobu's persuasive request to join the Finance Ministry. There he headed the Bureau of Reorganization, which led in such efforts as tax reform, standardization of weights and measures, abolishment of domain debts and strategic surveys of natural resources.

Banking provides the most obvious link between Shibusawa's brief government career and his more enduring role as a businessman. Shibusawa was one of several individuals to bring various financial interests together to form Japan's first modern bank, the First National Bank of Japan. He served as the bank's general superintendent and soon became its president, a position he held for more than 40 years. While both a government official and a private banker, he contributed his time and energy to educate and train bankers, to work out banking practices, to assist banks over severe crises, and to carry out national banking reform measures.

While observing the role of the businessman in Europe, Shibusawa publicly deplored the abundance of Japan's government officials in contrast to the paucity of capable, progressive businessmen. He was fully aware that, unless the public image of the modern businessman reached a new level of respectability, it would be difficult to attract ambitious, talented men to entrepreneurial careers. He sought to elevate the image by providing leadership, ideas, organization and performance, and left a promising government career in 1873 to become an entrepreneur.

Shibusawa as Japan's Premier Businessman

To grasp the significance of Shibusawa's contributions to the commercial and industrial development of Japan is no easy task. To start with, he helped organize and direct as many as 250 industrial and commercial enterprises. He engaged in the manufacture of paper, textiles, and cement, the processing of gas, fertilizer, electricity, iron, coal, and other natural resources, and the operation of breweries, shipping companies, railway lines, warehouses, and insurance companies. In most cases he was not directly involved in the everyday management but lent his name in support, built capital resources, provided technology, encouraged entrepreneurial talent and worked to solve problems. If his roles of director, adviser and major shareholder are included, Shibusawa had connections with 500 enterprises.

A few examples will suffice to demonstrate the nature and range of Shibusawa's business involvement. Early Meiji cotton spinning mills produced relatively small amounts of poor quality cloth that could not compete with imports. To develop a competitive domestic production, Shibusawa founded the Osaka Spinning Mill in 1882 with 10,000 modern spindles operated by steam-power. Shibusawa collected the necessary capital from private sources through the sale of stock and secured the best management to operate the plant. This mill increased production annually and within five years employed more than a thousand people. The Osaka Spinning Mill helped make Japan's cotton spinning industry internationally competitive.

Iwasaki Yataro, an entrepreneurial rival of Shibusawa, was one of the Meiji period's strongest advocates of the single leader theory in business organization. Incensed by the dictatorial ways of Iwasaki's Mitsubishi Shipping Company, Shibusawa established the United Shipping Company in 1882. He gathered ¥6 million in capital, a major portion from a government loan, and opened routes competitive with Mitsubishi. A fierce financial

struggle ensued between Shibusawa's company form of enterprise and Iwasaki's one-man operation. Finally after government mediation, Iwasaki's representatives arranged an amalgamation, which resulted in the creation of Nippon Yusen Kaisha (NYK).

Shibusawa had a close working relationship with the Mitsui *zaibatsu*. The chief manager of Mitsui invited Shibusawa to be an officer of Mitsui upon his resignation from government. Flattered by such a prestigious offer by Japan's leading business concern, Shibusawa declined the invitation because he wanted to pursue his own independent business interests. His mind was fixed on promoting the advancement of industry and commerce, elevating the status of the businessman, and developing the collective economic strength of the joint-stock company.

A measure of Shibusawa's contribution to the business world can be gained from the fact that he coined a new term, *jitsugyoka*, for businessman. *Jitsugyoka*, "a man who undertakes a real task," seemed more appropriate to describe a businessman than the old term *shonin*, "trade person," with all its negative images. Shibusawa defined a *jitsugyoka* as a person who worked with diligence and honesty for the establishment of modern industrial development. The application of this new term helped elevate the status of the Japanese businessman.

Shibusawa sought to shape the modern Japanese world. As he viewed Japan's economic situation, the chief problems stemmed from a scarcity of capital, poor organization in the business world and a lack of capable entrepreneurs. He devoted a great deal of effort to solving these problems. To meet the problem of a scarcity of capital, he championed the joint-stock company form of business enterprise. He organized his own enterprises on this basis, thus providing broader popular participation in capital formation and corporate leadership.

In order to counter the poor quality of organization in the Meiji business world, Shibusawa took the lead in forming several business-oriented groups. His first major undertaking was the formation of Takuzenkai, an

association of the nation's bankers. This organization provided educational experiences for bankers. It eventually became the powerful Bankers' Association of Japan. Remembering his European experience, he helped found the Tokyo Chamber of Commerce, an organization that unified and gave direction to the Tokyo business community, in 1878 and served as its president until 1905.

Business Ethics

Heavily imbued with Confucian morality, Shibusawa stressed the need to create a new attitude toward economic activity and instill a new social conscience in Japan's businessmen. To raise their status, the businessmen had to assume new social responsibilities, devote themselves to the national welfare and promote morality in business. Shibusawa explained the subordination of his personal business interests to national advancement by saying that he desired neither great personal wealth nor status but wanted to awaken the business spirit in Japan.

Confucianism helped shape the philosophical and mental outlook of young men in that day. For Shibusawa, such traditional philosophy was an asset, not an impediment, to the development of economic modernization. Shibusawa used Confucian ethics to create a merchants' code of behavior that resembled the samurai code of *bushido*. Here the Japanese spirit should include integrity, justice and responsibility toward the public welfare. With his sense of community spirit, Shibusawa believed that a businessman should subordinate his personal interests to the national welfare. Basing his business philosophy on the *Analects of Confucius*, he sought to "build modern enterprise on the abacus and the *Analects*."

Shibusawa founded Ryumonsha, an organization designed to foster the ethical principles essential to business. At monthly meetings of Ryumonsha, members discussed both practical and theoretical problems of business. The organization published *Ryumon Zasshi*, a magazine devoted to spreading ethical business ideals, and encouraging

entrepreneurial development. With moralistic overtones, this journal sought to educate Japanese youth in business ethics stressing honesty, education, virtue and cooperative spirit, all buttressed by Confucian values.

Public Service Projects

When Shibusawa reached his 70's, he withdrew from positions of active leadership in his businesses. In his remaining 20 years, he increased his already extensive participation in public service projects and international relations. Inherent in such a shift was Shibusawa's desire to utilize his wealth and status for the public good, to demonstrate that a life of morality was thoroughly compatible with success in business, and to convey the possible range of public service opportunities open to Japanese businessmen. By reliable estimates, Shibusawa participated in as many as 600 different organizations dedicated to public service, philanthropic endeavors, or international exchange.

A few examples will illustrate the depth and breadth of Shibusawa's concern. For a businessman whose life was devoted to economic gain, the problem of poverty in his society was particularly perplexing. For 60 years Shibusawa contributed his time, efforts and money to found and operate the Tokyo Poor House. Oriented toward the self-improvement approach, Shibusawa stressed rehabilitation, education and health care as keys to overcome poverty.

Shibusawa also demonstrated public involvement by his contributions to education. He helped build Japan's first commercial high school by collecting funds for it, acting as its patron, and advising it. He helped develop Tokyo Commercial College which is now Hitotsubashi University. The first business school in Japan, Tokyo Commercial College, sought to train young men in entrepreneurial careers. In this way Shibusawa expressed his concern that Japan elevate the quality of training for its future businessmen. Shibusawa did not overlook women's education either. He contributed to the Meiji Girls School, served as a commit-

tee member of the Society for the Encouragement of Girls' Education, and helped with the founding and financial support of Japan Women's University.

Shibusawa's participation in the Association Concordia is an example of his involvement in a service organization with a moral objective. Founded by Japanese proponents of religious and philosophical reform, the Association Concordia sought to create a new religion that would transcend all existing religions and unify them into an eclectic whole. The purpose of the Association was to promote the progress of civilization by international cooperation, with special reference to the solution of the various intellectual and spiritual problems.

Shibusawa as an Internationalist

The promotion of international peace and good will was another important activity for Shibusawa. He developed an intense interest in these issues. Several of the organizations that he either helped found, support, or serve endeavored to promote friendship between nations and find peaceful solutions to international problems.

Shibusawa was an active member of the Japan Peace Society. Formed in 1906, this organization sought to promote harmonious international relations and improve Japan's place in the family of nations. Through this organization Shibusawa expounded his belief that international peace was good not only for business, but that it was also beneficial for its moral value. With an eye to economic benefit, he underlined the importance of international cooperation for world survival. In 1915, Shibusawa published an article in *Heiwa Jiho*, the main organ of the Japan Peace Society. Here he argued that the principles of humanity and justice are not only good for international relations but are also consistent with the interests of business.

Shibusawa zealously crusaded to improve relations with the United States, for whom he held considerable admiration. The United States represented progress, power and world popularity, all features that he hoped to see develop

in Japan. In 1902, Shibusawa made his first trip to the United States under the auspices of the Chamber of Commerce to promote mutual understanding and goodwill and to improve commercial opportunities. He met with several American businessmen and even had an audience with President Theodore Roosevelt. In 1909, he traveled to the United States with a group of businessmen to promote better understanding and closer relations between the two countries. He made three other trips to the United States, all after his 70th birthday. In 1913 during the height of anti-Japanese activities in California, he helped organize and served as the president of a joint Japanese-American Committee to seek an honorable settlement to this problem. In 1915 he again journeyed to the United States to cultivate ties of international friendship. In 1921, he was an unofficial delegate to the Washington Conference.

Shibusawa played a major role in the organization of the Japanese-American Relations Committee in 1916. The aim of the Committee was to bring about better understanding between the people of the two countries and to adopt measures to achieve this. Shibusawa served as a member of the Executive Council, and although there was no president or chairman, he was virtually the president since he directed the organization and assumed responsibility for it. The Committee quietly conducted efforts on behalf of U.S.-Japan relations. It organized two conferences in 1920 to discuss anti-Japanese action in California.


In 1917, approximately 100 distinguished Japanese and Americans organized the America-Japan Society. Viscount Kaneko Kentaro was the first president. Shibusawa was one of the leading participants and supporters. The America-Japan Society was established to promote and facilitate the intermingling of Japanese and Americans and to serve as a social organization where influential people could meet to exchange views in hopes of eradicating any misunderstandings and promoting amiable relations. Though advanced in years, Shibusawa was a regular contributor to this organization, which continues to function

today.

Internationally minded people established the League of Nations Association of Japan in the early 1920s to support the work and ideals of the League in Japan. The first president and leading financial supporter of the League of Nations Association was none other than Shibusawa.

Conclusion

Ability, hard work, fortunate circumstances and a strong desire for success all helped Shibusawa gain distinction as Japan's outstanding business leader. The government appointed him to the House of Peers and gave him the title of Viscount. Shibusawa was repeatedly identified as the model for Japanese businessmen. His efforts at creating new forms of business organization, advancing the level of commercial knowledge and responsibility, raising moral standards, and advancing the national purpose rightly earned him this distinction. The Japanese educational system recognized Shibusawa as a model of behavior and made him the example of "diligence" in the state textbooks on ethics in the prewar school system.

Shibusawa was the key economic modernizer in the periods of Meiji and Taisho (1912-1926) Japan. As a promoter, organizer and orchestrator of capital, laborers and entrepreneurs, he led his country. His sense of social concern and responsibility set a high example for any age. The cultivation of self-reliant, socially acceptable and ethically motivated businessmen is a noble undertaking in itself. With uncertainty in business morality and the continued need for international acceptance, Shibusawa's creative leadership and progressive world view would be valuable today. In summary, Shibusawa Eiichi was a businessman with a high sense of public responsibility, a quality that would make him a valuable example for early 21st century Japan. 

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