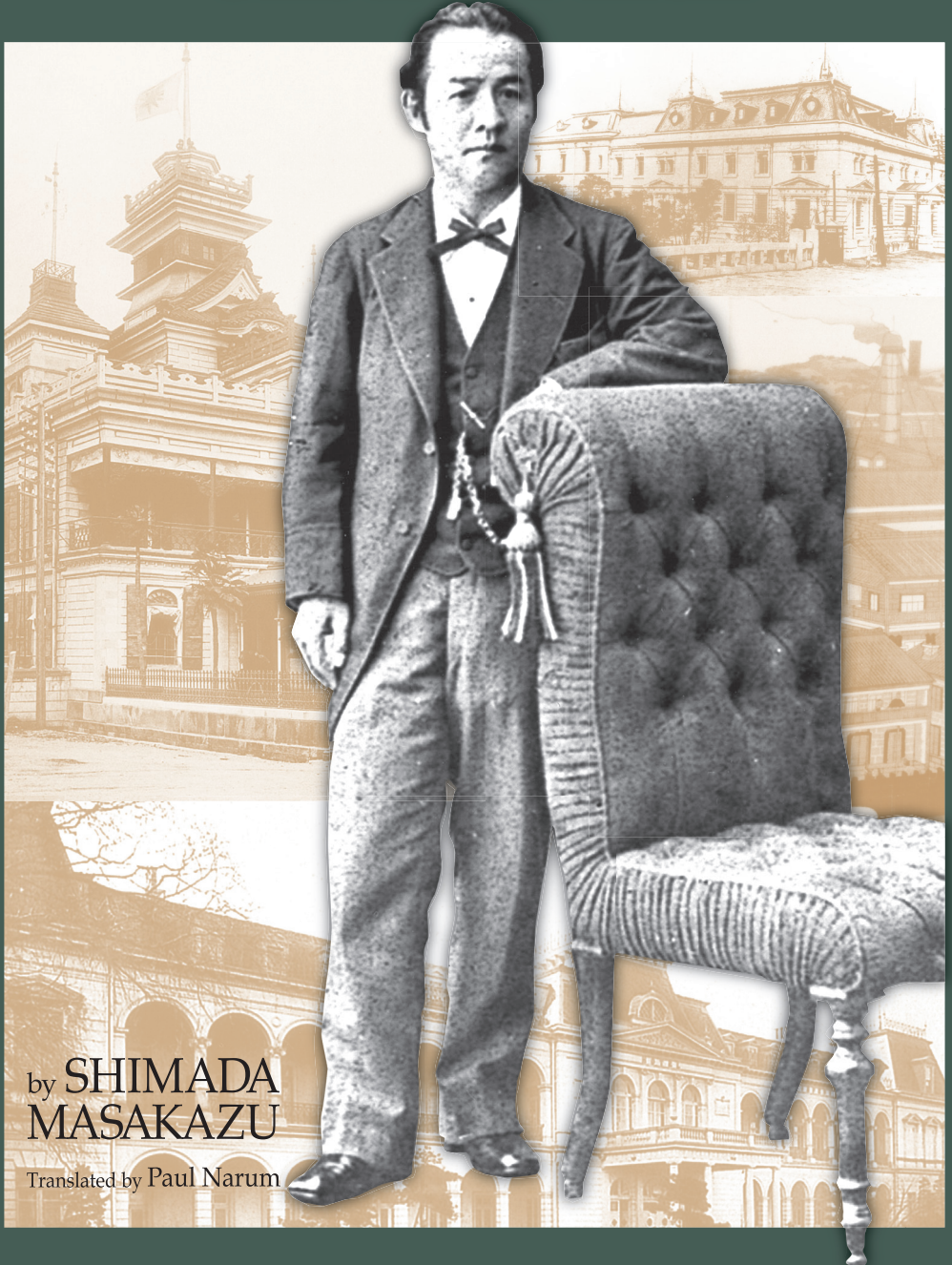


# The Entrepreneur Who Built Modern Japan: Shibusawa Eiichi



by SHIMADA  
MASAKAZU

Translated by Paul Narum

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SHIMADA MASAKAZU

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Japan Publishing Industry Foundation for Culture

### Note on Japanese names

The Hepburn system of romanization is used for the Japanese terms, including the names of persons and places. All Japanese names appearing in this book are given in the Japanese order, with family name first.

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Shimada Masakazu.

Translated by Paul Narum.

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# Introduction

There were numerous people who contributed to the formation of modern Japan in such fields as politics and thought, but very few who made a significant contribution to the economy, especially in the area of business. In that respect, Shibusawa Eiichi (1840–1931) was an exception. According to the economist Tsuchiya Takao (1896–1988), who was considered to be the leading expert in Shibusawa studies, Shibusawa gained a reputation as the “supreme leader of Japanese capitalism,” with the general impression of him being one of a “noble-minded and selfless leader who espoused economic morals and ethics.”

Nevertheless, compared with the founders of Japan’s leading companies, such as Mitsubishi’s Iwasaki Yatarō (1835–85), Panasonic’s Matsushita Kōnosuke (1894–1989), Sony’s Morita Akio (1921–99), and Honda Motor’s Honda Sōichirō (1906–91), about whom there are innumerable anecdotes, Shibusawa is far less well known, both in Japan and overseas. The reason perhaps is that he did not build any *zaibatsu* or specific corporation that is recognized internationally. The fact that he did not limit his activities to a specific enterprise but assisted in the establishment and development of numerous large companies that led Japan and still exist today has maybe meant that he has not been treated on a par with the founders of particular companies whose ideas and principles continue to be passed on from generation to generation.

Still, looking around Japan, one can find dignified bronze statues of Shibusawa erected in a truly wide variety of places—not just at his birthplace or within the premises and headquarters of the companies that he founded but also in one corner of Japan’s *Kabuto-chō* financial district and on the campuses of the country’s top business schools, as well as at Japan’s largest social welfare facility (Hirai, Takada 2014). No other great figures of Japan have had bronze statues built for them in so many places. This shows just how many and how extensive the areas were in which Shibusawa’s ideas and actions were considered worthy of remembrance.

Have there ever been any business executives outside of Japan who were comparable to Shibusawa in the scope and style of his achievements? Professor

Geoffrey G. Jones of the Harvard Business School, who is participating with me in an international project to examine the implications of Shibusawa in modern times, has introduced certain non-Japanese business executives who, like Shibusawa, had the idea of “realizing the public good through the accumulation of private property” (Jones 2014). In Britain, they include the porcelain manufacturer Josiah Wedgwood (1730–95), the chocolate manufacturer George Cadbury (1839–1922), and the soap maker William H. Lever (1851–1925). In the United States, they include the Houghton family of Corning Inc., Milton S. Hershey (1857–1945) of the Hershey Company, George Pullman (1831–97) of the Pullman Company, Henry John Heinz (1844–1919) of the H.J. Heinz Company, and the steel magnate Andrew Carnegie (1835–1919), along with John D. Rockefeller (1839–1937), Henry Ford (1863–1947), and Conrad Hilton (1887–1979), each of whom established foundations to return their profits to society. Although those entrepreneurs are comparable to Shibusawa in terms of their achievements, however, Jones points out another important aspect of Shibusawa’s actions, namely, the fact that they were grounded in the secular values of Confucianism, which is a philosophy rather than a religion, whereas the philanthropic actions of the Western executives mentioned above were rooted in Christian religiousness.

Peter Drucker, a private-sector management consultant and the author of many best-selling business books, described Shibusawa and Iwasaki Yatarō, the founder of the Mitsubishi zaibatsu, and what they achieved as businessmen, in glowing terms as follows:

Their achievements were a good deal more spectacular than Rothschild, Morgan, Krupp or Rockefeller. . . . Between them, these two men founded something like two-thirds of Japan’s enterprises in manufacturing and transportation. No other two men in any economy have had a similar impact. (Drucker 1969)

Perhaps the significance of Shibusawa, the business leader who helped drag Japan toward modernization, has not been properly conveyed due to the fuzziness of the vague, unclear image that has formed around him. The real image of Shibusawa as a business leader may be hard to comprehend because many researchers so far have tried to analyze and explicate his book *Rongo to soroban* (The Analects and the Abacus) and the theory of the unity of morals and econ-

omy that he espoused, approaching their studies from the perspectives of thought and principles. Since Shibusawa ultimately was a businessman and not a thinker, however, his actions and behavior were laden with many ideological contradictions and inconsistencies, thus lending themselves to a wide variety of interpretations. There is a wide range of opinion on how his Confucian ideas ought to be regarded, without any accepted opinion having yet been formed.

Meanwhile, though many historical novelists have freely woven stories featuring Shibusawa as the main protagonist, they have tended to an amazing degree to concentrate on the years of his youth. That is probably because it makes for good drama to focus on the zeal and dynamism of a man who rose from peasant status and was tossed about in an era of turbulent change and who ended up going to France and learning many things that he then brought back to Japan. In the eyes of a novelist, the young Shibusawa is the perfect main character for a long novel, having experienced more in his youth than most people do in a whole lifetime—his education rooted in Confucianism; his time spent in commerce through the trading of indigo balls; his criticism of feudal society; his overzealous rush to try and expel Westerners (“barbarians”) by means of old-fashioned weapons; his work as an economic bureaucrat for the Hitotsubashi clan; his taste of Western life during his trip to Europe; his creation of a personal network of contacts in the new Meiji government; and his experiences drawing up economic policies there. It is a natural impulse for novelists to want to tell the story of a peasant boy who, buffeted by stormy seas amid the violent changes taking place in Japanese society in the final years of the Tokugawa shogunate, rose up in the world and used his experiences as the source of later success in the business world.

As can be understood from the above, many of the writings concerning Shibusawa so far, from research and critiques to novels, concentrate either on the years of his youth, when he was actively involved in the turbulence of the 1850s and 1860s, or on his later years, from his seventies and eighties to his death at the age of 91, during which time he forcefully argued for the necessity of morals in business. His activities as a business leader during the years when most people are in their prime—namely, from the age of 30 to around 60—have tended to be mostly overlooked, despite the fact that his reputation in society flourished on account of his many successful businesses launched during that period. Even though Shibusawa did not hail from a zaibatsu, he did found and continue to manage a myriad of private companies, building up a fortune as

one of Japan's biggest shareholders. As the companies that he was connected with were listed on stock exchanges, they had many shareholders with conflicting interests. But even so, he was able to simultaneously manage them. Despite that, no empirical research has been carried out on the mechanisms of Shibusawa's style of management. Accordingly, this book will primarily introduce his activities as a businessman.

Moreover, Shibusawa did not just skillfully manage the many companies in which he was involved but also actively spoke out concerning the nation's economic policies, wielding influence on them to a certain extent, and passionately engaged in human-resource development through social enterprises and education. Drucker, referred to above, focused on Shibusawa's "maximization of talent," praising it as one of his major contributions. He wrote,

Shibusawa himself, for almost fifty years, acted as an unofficial and unpaid "management development center." He counseled and guided hundreds of young civil servants, businessmen and executives. He was untiring in organizing training programs and management clubs, setting up all kinds of courses, seminars and discussion groups. (Drucker 1969)

Let us return to Jones's awareness of the issues. In the past few decades, despite the systematization of discussions about corporate social responsibility (CSR), large-scale scandals at corporations have continued to increase, and capitalism itself is seen as facing a crisis. Owing to the perception that CSR cannot resolve such problems, the idea of "creating shared value" (CSV), put forward by Professor Michael E. Porter of the Harvard School of Business, instead argues the need to put social problems themselves at the core of business. The logic of practical reorganization—in other words, the real part of such thinking as opposed to its ideological part—is significant, and Shibusawa, who actually accomplished just that, gives important hints to the world today (Jones 2014).

I would like to make one point clear here. My aim is not to discuss how powerful private-sector leaders such as Shibusawa can be fostered. The model of Japan, which lagged behind the West in establishing a capitalist economy and was able to an extent to control an excessively strong government and zaibatsu, provides important clues and an extremely significant perspective on the question of how emerging countries, where the governments and the equivalents of zaibatsu are still strong, can find their rightful position in the postglobal capi-

talist system. Deferring that issue will only keep the clues to its resolution out of sight. While the possibility should not be completely rejected that business leaders like Shibusawa, with high-minded and lofty principles, may emerge in such countries, it is important to create an environment in which business executives believing in Jones's idea of "realizing the public good through the accumulation of private property" appear in those countries at many different levels, from big corporations to startup businesses, and such ideas permeate companies as an organizational principle. Shibusawa devoted an inordinate amount of energy to the dissemination of such ideas. Although he did not meet with complete success, his ideas definitely have taken root in Japan's corporate society to the extent that they are now considered a special characteristic of Japanese companies. A necessary first step is to precisely examine those aspects that have not yet been clarified so as to achieve an understanding of them.

### **The composition of this book**

Based on the perspective outlined above, I have organized this book in the following manner:

—Chapter 1 deals with the period of Shibusawa's character formation from the time of his birth until he leaves the government and enters private-sector business, introducing how he developed into a business figure. (In order to distinguish him from the many other Shibusawas appearing, in this chapter Shibusawa is referred to mainly as Eiichi.)

—Chapter 2 introduces the process by which Shibusawa was involved in the founding of the First National Bank and many other companies, mainly focusing on his role as an investor.

—Chapter 3 looks at the role of the people who worked with Shibusawa, including business managers, people from his hometown, and blood relations, as well as his "new family" including sons-in-law, analyzing his activities as both a business and social entrepreneur from the perspective of his personal network.

—Chapter 4 introduces Shibusawa's view of society as reflected in the policy proposals that he actively voiced concerning the direction of the Japanese economy around the time of the Sino-Japanese War and Russo-Japanese War.

—Chapter 5 focuses on the social enterprises in which Shibusawa was engaged in a broad range of fields, especially those in the realms of education and labor.

These days frequent mention is made of Shibusawa's writings and lecture texts concerning *The Analects* of Confucius. This probably stems from the attitude that in an age of confusion and bewilderment like the present, when the future is so uncertain, one should learn from the universality of the classics and from people who opened up a new era. Shibusawa was not simply a man of ideas, though. He based his writings completely on his own experiences, which he came through unscathed. It is this aspect that appeals to modern readers. There may well be hints for modern society lurking not only in Shibusawa's writings but also in a study of his activities in a wide range of fields, including not only business but also the management mechanisms that he tried to develop and his ideas about the ideal form of modern society.

## Chapter 1

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### **From Farm Boy to Shogunate Vassal: Seeking an Outlet for His Talents**



Shibusawa Eiichi with sword (France, 1867)

## 1. Eldest son of a farming family producing silk and indigo

### Born in a village in Musashi Province

Shibusawa Eiichi (1840–1931) was born in the village of Chiaraijima (literally “blood-washed island”) in Musashi Province (now Fukaya City in Saitama Prefecture, approximately 80 km northeast of Tokyo). The area had been the site of fierce battles between powerful daimyos during the Warring States period, which finally ended in 1590 with the pacification of the entire country by Toyotomi Hideyoshi and Tokugawa Ieyasu’s entrance into the Kanto region (*Fukaya City History* 1980).

The principal agricultural activities in Chiaraijima in the Edo period (1603–1868) were grain and vegetable production, silk raising, and indigo (dye) production. There were not many rice paddies, and only a few people raised cattle and horses, making it a “slightly smaller village than average” (*Fukaya City History* 1980; Inoue 1999). This description might make the village sound rather poor, but another analysis points out that basically “[Chiaraijima], despite the damage caused by several floods, was blessed by fertile soil and convenient transportation links, and the residents are believed to have worked steadily at their farm work and gone peacefully about their daily business” (*Fukaya City History* 1980). The floods included a big one in 1783 when the volcanic Mount Asama erupted violently, creating a downpour of detritus causing liquid mud that diverted the courses of rivers, resulting in great damage. Another disastrous flood occurred in 1859 (*Fukaya City History* 1980).

### Chiaraijima: A transportation hub

The advantage of this locality was its role as a transportation hub accessible by both road and water transport. Fukaya-juku was a post-station along the Nakasendō, one of the primary highways of the Tokugawa shogunate. Situated at the crossroads of one highway leading north to Niigata and another leading west to Nagano, it was a crucial point for land transport, traversed by both people and goods. Furthermore, the Nakaze riverfront area, which served as an intermediary base for water transport along the Tone River, lay quite near Eiichi’s birthplace.

Nakaze served as a place for passengers coming from upstream on smaller boats to transfer to larger boats, as well as for cargo to be transferred. At the

same time, it flourished in its role as a checkpoint (*sekisho*) for people entering Edo [present-day Tokyo]. Throughout the Edo period there were always around 100 ships registered at Nakaze, of which 36 ships were large-sized (30 tons or more). It was possible to reach Edo directly in one day from Nakaze without stopping (though normally it took three days owing to the discharge and loading of cargo) (*Fukaya City History* 1980).

### The longest-established family in the village

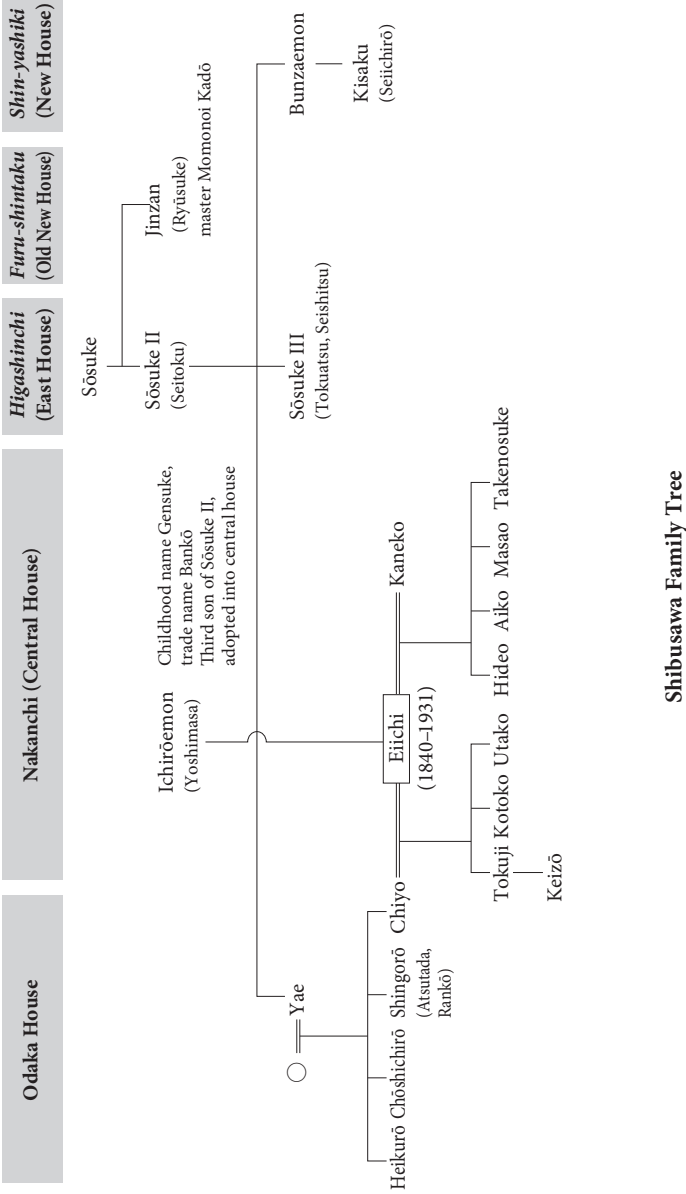
As can be understood from the above, the area centered on Chiaraijima had few rice paddies, with many peasant families running small operations. But it benefited from a relatively stable power structure and the good transportation network, providing the area with the preconditions for development. Overall, there was little famine, there does not seem to have been any violent or oppressive rule, and there was hardly any vandalism or riots.

In such circumstances, from around the 1730s and 1740s certain families in the village began to accumulate land and resources. As the majority of peasant families remained impoverished, each owning less than one *chō* (around one hectare) of land, the gap between rich and poor widened (Inoue 1999). Toward the end of the Edo period, in what is known as the *bakumatsu* era (circa 1853–68), one family in Chiaraijima, having grown rapidly to emerge at the forefront of village life, became the primary instigator in changing the village's order. That family was the one that gave birth to Eiichi.

Eiichi was born to the main branch of the Shibusawa family—the oldest in the village—in what is known as the *nakanchi* (the “central house”). The family, which had been in the village since its founding, had split into several branch families, the number of which had increased to about a dozen by the Tempo era (1830–44). (See the Shibusawa family tree on the following page.)

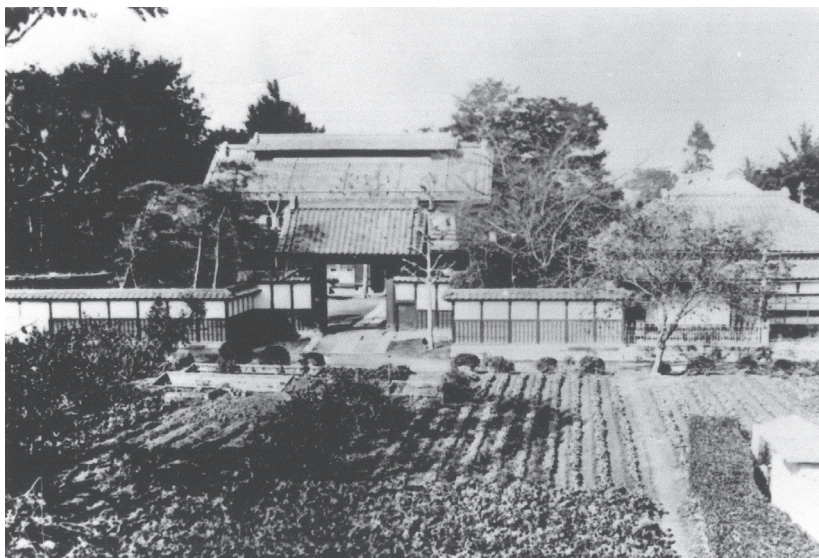
### Eiichi's father, Shibusawa Yoshimasa

Eiichi's father, Shibusawa Yoshimasa (1807?–71), was also referred to as Ichirō-emon, as were all successive heads of the family. Nevertheless, Eiichi's father was not born to the main branch of the Shibusawa family but adopted into it through marriage to one of its daughters. He was originally the third son of Shibusawa Sōsuke, second-generation head of the so-called *higashinchi* (“east house”), which owned the greatest amount of land and resources in the village. Yoshimasa had studied military arts and other kinds of scholarship with the



Note: Partially abbreviated. Some of the siblings' names are not ordered chronologically for reasons of expression.

### Shibusawa Family Tree



Full view of *nakanchi* ("central house")

intention of becoming a samurai, but he later devoted himself to the family business and was selected as an apprentice by the village head. Yoshimasa was described as an extraordinary person with samurai temperament (*buke katagi*), having been commissioned to become purveyor to the daimyo. He was permitted by Abe Settsu-no-kami, the daimyo of the Okabe domain to which Chiaraijima belonged, to bear a surname and wear a sword (Konuki 1927; Inoue 1999).

As of 1656, in the early part of the Edo period, the "central house" in which Eiichi was born and raised, while being the main house of the Shibusawa family, had been only a small-scale farmstead, ranking twenty-first out of the 30 families in the village that did not possess any rice paddies. In Yoshimasa's generation, however, the family had made a fortune through the manufacture of indigo balls, becoming one of the richest farming families in the village, second only to the "east house." The area only started producing indigo and indigo balls in the *bakumatsu* era. As of 1824, 70% of the fields in the neighboring village of Shimotebaka were producing wheat, with soybeans raised as an off-season crop, and only 14% were devoted to indigo production.

The production of indigo and the manufacture of indigo balls is said to have been passed down from Tokushima on the island of Shikoku, with distribution

mainly handled by dye shops known as *kōya*, or *kon'ya*, in Gunma, Nagano, and Chichibu. The indigo industry of the area was pursued aggressively by several of the Shibusawa families in Chiaraijima and by the Odaka family in Shimotebaka. Of them, the Shibusawa “central house” is estimated to have registered annual sales of as much as 10,000 *ryō* (the unit of currency at the time) (*Fukaya City History* 1980; Inoue 1999).

### Breaking down old traditions

As can be understood from the above, though Eiichi's birth family was a small-scale farming household, starting with his father's generation, it pioneered a new type of business by buying indigo leaves from farmers in the area, processing them into indigo balls, the raw material for indigo dyeing, and then marketing them. That business led to the family swiftly becoming one of the top two richest farming families in the village. Essentially the farming class at that time was limited to the production of staple products that could be converted into an estimated annual yield of rice (*kokudaka*) for tax purposes, but Eiichi's family was able to break away from that framework.

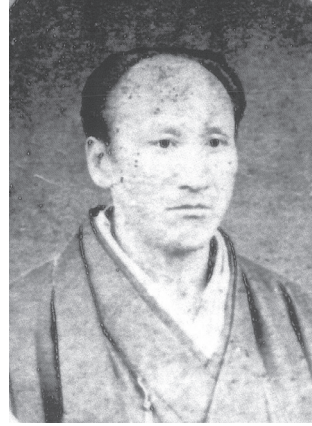
Additionally, Eiichi's family was able to destroy the distribution framework monopolized by Edo merchants, in which everything had to go through them as intermediaries. Instead, it was rapidly able to amass its fortune by what may be described as a “local production, local consumption” method, while also assuming the merchant's role of handling marketing by trading locally between producers. By personally experiencing the marketing of indigo balls in his teens, Eiichi was a witness to the remarkable growth of his family, which in essence overturned the social order. It was highly significant that he learned the spirit of breaking down old traditions and the old order in this way.

### Enthusiasm for learning and education

Eiichi's family was not only sensitive to business matters. The village of Obuse in Nagano Prefecture is a well-known example of how rich farming families in the provinces also served as patrons of culture and art. Wealthy merchants in Obuse are known to have invited such first-rate artists as Katsushika Hokusai (1760–1849) and Kobayashi Issa (1763–1827). In the Shibusawa family, everyone was enthusiastic about learning and education.

Shibusawa Jinzan (1777–1830), the younger brother of the second-generation Shibusawa Sōsuke who had broken off from the “east house” to form his

own family, described as the *furu-shintaku* (“old new house”), studied both medicine and Confucianism and set up a small school. In addition, the local thinker Momonoi Kadō (1803–64), who interacted with the well-known figures Fujita Tōko (1806–55) and Takeda Kōunsai (1803–65), had studied under Jinzan at the age of 12 and set up his own school in 1831 (*Fukaya City History* 1969). It was in this environment that Odaka Atsutada (1830–1901), an older cousin from whom Eiichi had directly learned when he was small, became a great admirer of the philosophy of revering the emperor, which became a prevalent way of thinking during the *bakumatsu* years.



Odaka Atsutada

Shibusawa Sōsuke of the “east house,” meanwhile, served as the village headman of Chiaraijima, as had his predecessor. Sōsuke protected the main houses of the village, which were designated to provide funds to the daimyo’s treasury. Besides having agricultural knowledge and general learning—he even wrote a book on sericulture technology—he was a master in swordsmanship, holding certification from a famous sword school. Sōsuke also opened his own school, at which Eiichi learned how to write. Eiichi learned swordsmanship from another member of the Shibusawa family who had similarly been a disciple of another famous sword school (*Fukaya City History* 1980; Konuki 1927).

In this way, Eiichi learned calligraphy, reading, and writing using the nine Chinese classic texts and swordsmanship from his relatives on the Shibusawa or Odaka side. He thus was able to receive a general education in the manner of a samurai family, which was virtually impossible for someone raised in an everyday farming or merchant family at that time.

### Opportunities to study in Edo

When Eiichi entered adolescence, he got the chance to pursue further studies in Edo. In 1853, when he was 13, he made his first visit to Edo. It was the same year that four warships of the US East India Squadron, led by Commodore Matthew C. Perry (1794–1858), arrived in Japan to press the country to open its doors to the outside after so many years of isolation. Eiichi visited Edo once

again a year later. In 1855 Odaka Chōshichirō (1838–68), his older cousin, entered a school run by Kaiho Gyoson (1798–1866) in Edo, where, ahead of Eiichi, he became a zealous supporter of the “revere the emperor, expel the barbarians (foreigners)” (*sonnō jōi*) philosophy.

In 1861, at the age of 21, Eiichi himself went to Edo to learn the latest knowledge and thought as a student at Kaiho Gyoson’s school. At the same time, he learned swordsmanship at the Chiba training hall (*dōjō*). From there he embarked upon actions to expel the “barbarians.” Although Chōshichirō had taken part in the 1862 plan to attack Andō Nobumasa (1820–71), a member of the shogun’s council of elders, outside the Sakashita Gate of Edo Castle in 1862, he did not participate in its execution, instead hiding out in Kyoto. In the following year, 1863, Momono Kadō (1803–64), who had greatly influenced the formation of thought in the region, raised an army at Mount Akagi with a view to expelling the “barbarians,” but he failed in his attempt. The next year, Momono gave himself up, renounced all food, and died.

#### **Last-minute halt of attempt to press forward with expelling the “barbarians”**

In 1863, armed with around 100 spears and swords, Eiichi planned to lead a total of about 70 acquaintances from the Chiba training hall and the Kaiho Gyoson school to commandeer Takasaki Castle (in present-day Takasaki City, Gunma Prefecture) and to burn down Yokohama City (Shibusawa 1984). Owing to the Anglo-Satsuma War that July, however, he was clearly reminded how difficult direct action to expel the “barbarians” would be because of the overwhelming discrepancy in military power. Furthermore, the change of government on August 18, 1863, resulted in radical nobility being expelled from Kyoto. The futility of trying to directly force the expulsion of the “barbarians” thus started to become ever more apparent. At the end of October, Odaka Chōshichirō returned from Kyoto and told of the situation there, and the plan to seize Takasaki Castle was scrapped at the last minute.

It is generally said that there were extremely few people among the majority of peasants in the Okabe domain, in such places as Shimotebaka and Chiaraijima, who were really taken by such radical philosophy as the argument for loyalty to the emperor, expulsion of the “barbarians,” and overthrow of the shogunate (*Fukaya City History* 1980). Indeed, the poor people’s riots that broke out in the Iruma district in the Tempo era failed to reach the vicinity of the Okabe domain. The campaign by Eiichi and others to expel the “barbarians” is

said to have involved 70 like-minded persons, but beyond the Shibusawa and Odaka families, hardly any of the youth from the local farming villages participated.

### Anger toward status-based society

As demonstrated above, the Shibusawa family, having advanced rapidly under the relatively stable conditions of the farming village during the *bakumatsu* years, had ambitions to rise in the world through broad-based economic activities. The family thus encouraged members of its next generation to acquire learning and education, through which they awakened to activities to reform society. In addition, Eiichi was incensed by the way in which his father's proxies were forced to silently accept the unilateral demands of the shogunate magistrates ruling the region. Such sights ignited his anger at the various contradictions of the status-based society and fueled his drive toward reform. Eiichi often referred later to his fervent thoughts then that society ought to be changed into one in which anyone with practical skills and ability could rise to the top. It was a real turning point in his life.

### His father's death

The influence of Eiichi's father on his childhood in Chiaraijima was incalculably large. Yoshimasa died in November 1871, at the time when Eiichi was serving at the Ministry of Finance. His condition had become critical on November 13, and Eiichi learned of the fact on November 15 after returning from business in Osaka. The next morning, he was granted permission to return home, and he arrived in Chiaraijima on the same day. Yoshimasa passed away on November 22. After Eiichi took care of the funeral and other matters, he returned to Tokyo in the first part of December. At a time when he was busy with preparations to establish the First National Bank (Daiichi Kokuritsu Ginkō), among other matters, he thus ended up spending nearly three weeks away from Tokyo. Although Eiichi was subsequently to be in charge of his own career development, the formation of his character would have been impossible without his father—the education he received, his experience of business, and the certain level of understanding he had gained from his father for his radical actions as an imperial loyalist.

## 2. Becoming a retainer to the Hitotsubashi clan

### Traveling to Kyoto

While his plan to raise an army had been aborted, Eiichi still risked being arrested, so he decided to flee from the situation by leaving his home along with Shibusawa Kisaku (1838–1912), with whom he had acted in association. After pondering various things, he visited Hiraoka Enshirō (1822–64), whose favor he had enjoyed earlier during his years studying in Edo. Hiraoka, who held an important post in the Hitotsubashi clan, had urged Eiichi to accept an administrative post in the clan. Receiving permission to serve as Hiraoka's vassal, Eiichi left for Kyoto on November 14, 1863, staying at Hiraoka's house in that city while Hiraoka was away.

Eiichi had received an introduction to Hiraoka in the first place from a retainer of the Hitotsubashi clan who was born into the family of a barrier keeper in a village located in a mountainous area and later promoted to retainer. The previous year, Hitotsubashi Yoshinobu (1837–1913) had assumed the post of guardian to the shogun, so the Hitotsubashi clan, which had leaped to the center of politics, is believed to have been broadly casting its net for talented personnel (Yamamoto 1987).

Nevertheless, it is not true that Eiichi, once he was in Kyoto, promptly sought an administrative post with the Hitotsubashi clan. Rather, he exchanged opinions about the situation with imperial loyalists and others who had gathered from provinces throughout the country. Eiichi failed to make much headway, however, and lost sight of his goals. This situation persisted for two months or so, but then it became known that Odaka Chōshichirō, who had stayed in the Kanto region, had been arrested by the shogunate and that inquiries had been made to the Hitotsubashi clan regarding the two Shibusawas, Eiichi and Kisaku.

### Becoming a retainer to the Hitotsubashi clan

Although Hiraoka had not been born into a samurai family with such high status, his talents were recognized from a young age, and he received a recommendation to serve Hitotsubashi Yoshinobu, who belonged to one of the three collateral branches of the Tokugawa family (eligible to provide successors to the shogun if necessary). Because of those circumstances, he had a high regard for

Eiichi and others and extended them a helping hand as long as they would resign themselves to starting out as underlings. Eiichi and Kisaku were understandably conflicted about whether or not to accept the invitation. After all, although he maintained an independent political position at the time, and indeed had been appointed to the position of counselor by the imperial court, Yoshinobu still had links with the Tokugawa family.

For pragmatic reasons, however, Eiichi decided to accept the offer because he needed to escape from the suspicion that had descended upon him, because he believed it was necessary to join the samurai class in order to rescue the imprisoned Chōshichirō, and also because he realized the futility of taking direct action to expel the “barbarians.” In order to convince himself of his own reasons for becoming a retainer to the Hitotsubashi clan, Eiichi reminded himself of the fact that Yoshinobu was from the Mito clan, which respected the emperor, as well as the fact that Yoshinobu had been appointed by the imperial court to serve as guard to the emperor. Also, if Eiichi were called upon in the future to make responses away from the main body of the shogunate, he would be able to advise the appointment of influential persons to that end.

Although Eiichi had started out his administrative career as an underling, he was soon promoted to a lower-level staff position in the division handling the external dealings of the Hitotsubashi clan. For example, so as to learn about the movements of daimyo-related people whose opinions differed from those of the shogunate, he was given the duty of infiltrating himself among important persons from the Satsuma domain, who had been assigned the role of constructing coastal defense batteries in Osaka by the shogunate, in order to find out what they were really thinking.

### **Working under Hiraoka Enshirō**

The group of retainers who served the Hitotsubashi clan at the time were mainly ornamental in nature, with the chief retainers having held major posts in the shogunate and later transferring to the Hitotsubashi clan. Three officials in management positions were posted to both Edo and Kyoto and were in effect executors of state affairs.

In Kyoto, there were both officials in the position of elders and officials who had transferred from important posts in the shogunate, and Hiraoka excelled among them. Previously, when the issue of the shogun succession had arisen, Hiraoka had worked hard to promote Yoshinobu, but he had been defeated in

the political struggle and demoted. However, Hiraoka returned to the Hitotsubashi clan in 1862 after Yoshinobu had been designated as the shogun's guardian. After being sent to Kyoto, where the emperor lived, Hiraoka became a member of the "working unit" of Yoshinobu's political activities. Eiichi, whom Hiraoka had scouted amid such circumstances, worked as Hiraoka's "arms and legs" and, despite his farming background, swiftly rose up through the ranks of the Hitotsubashi clan.

he next task assigned to Eiichi by Hiraoka was to "go down" (in the sense of moving away from the emperor) to the Kanto region around Edo and to find and hire individuals who would be useful for the Hitotsubashi clan. Eiichi had hoped to rely on students from the swordsmanship school where he had practiced, but they had scattered in all directions after participating in the coup d'état incident. Nevertheless, he managed to assemble nearly 50 persons from within the Hitotsubashi domain and returned to Kyoto with them.

#### **Death of Hiraoka and Eiichi's frustration with his job duties**

While Eiichi was away in Kanto, Hiraoka was killed by the swords of opposing forces. Eiichi seems to have been quite shocked by his assassination. Since no one appreciated Eiichi more than Hiraoka did, Eiichi must have believed that he had lost his main benefactor within the Hitotsubashi clan. Moreover, he did not regard the elder who succeeded Hiraoka as highly as he had Hiraoka himself.

Eiichi moved up steadily through the ranks, always accompanying the elders and others in exchanges with various domains. However, he felt that such work was meaningless and boring. In such a turbulent political situation, he became increasingly aware that there was nothing to be gained from exchanges with elders from other domains who were paying visits to the Hitotsubashi clan.

#### **Harking back to his farming village days**

As far as his duties were concerned, Eiichi found a path to career survival and was able to demonstrate his talents in the long run through work that was rooted in the farming village where he had been born and raised. In order to advise Yoshinobu directly and to supply him with a modern infantry corps that would offer military preparedness, serving as the linchpin to secure political influence, Eiichi recruited volunteers from farming villages in his native domain

who were living in various places around the Kansai region. Furthermore, he encouraged the cultivation and manufacture of products grown or made in his native domain, such as cotton and saltpeter, while simultaneously coming up with and executing a plan to issue and circulate feudal clan notes, turning them into cash and making profits for further operations. Such work would have been impossible for someone raised in a proper samurai background to manage. Only someone who was familiar with the latent power of the human resources of the farming villages in his territory, as well as the new currency-based economy operating there, could have handled such work. Moreover, as far as his abilities were concerned, Eiichi was fully equipped for the task.

Above all, Eiichi was beginning to realize how important it would be in the coming modern society to foster industry and circulate currency, so he made optimum use of his experiences in developing new industries and distributing products in Chiaraijima. Recognized for the quality of his advice and performance, Eiichi was promoted in 1865 to a position handling the clan's finances. His successful experience at that time can be said to have led to the interest he showed in related issues at the Paris International Exposition of 1867, to be mentioned later.

### Serving as advisor to Yoshinobu

Because of those accomplishments, Eiichi was further promoted in 1866, when Hara Ichinoshin (1830–67) was tapped as the leading elder of the clan. Eiichi had been familiar with Hara before then and had a high regard for his talents. He had built a relationship with Hara that enabled him to submit frank opinions about the path that Yoshinobu ought to take. Eiichi was against Yoshinobu becoming shogun under the old system, as it was full of conservative ideas. He believed that Yoshinobu should set up territory within the Kansai region at the level of a large domain. That, he believed, would serve as the foundation of a new Tokugawa system, of which Yoshinobu would become the standard-bearer, giving him economic and military advantage vis-à-vis the imperial court. Hara had similar thoughts and conveyed them to Yoshinobu, but Yoshinobu rejected the plan.

Eiichi's ideas may have been quite realistic when one considers the council of powerful daimyos established in the following year, which played a key role in the *bakumatsu* political situation, and the plan for a daimyo council system after the 1867 transfer of power from the shogunate to the emperor. Although

he had inherited the position of head of the Tokugawa family, Yoshinobu attempted to choose not to assume the post of shogun. He was finally won over by the shogunate staff, however, and actually did become the last shogun. It is said that there are no “ifs” in history, but if Yoshinobu had accepted Eiichi’s ideas, it might have enabled the Tokugawa shogunate, as well as the family positioned to accede to the post of shogun, to disperse and avoid becoming the targets of the policy of the Satsuma and Chōshū domains to overthrow them by force. As a result, the center-moderates may have not been so easily immobilized by the radicals who eventually ended up forming the core of the new Meiji government. At any rate, the failure to fully foster and utilize young subordinates to usher in the new epoch was a big handicap.

Eiichi felt demoralized to the point of despair when Yoshinobu assumed the post of shogun. This can be interpreted as a double sense of disappointment—in the decision by Yoshinobu, whom he had worked under having believed in his perspicacity, to become shogun, and in himself for having put himself in a position pointing in a totally opposite direction to that which he was aiming for. Moreover, because he became a shogunate vassal, Eiichi was no longer able to meet Yoshinobu face-to-face, which made it impossible for Eiichi to submit his opinions to him. Separated from the accounting work in which he excelled, Eiichi felt truly overwhelmed by a sense of impasse.

### **3. Participation in the Paris International Exposition of 1867: Learning about modern technology and the economic system**

#### **Accompanying Tokugawa Akitake to France**

The French consul to Japan, Léon Roches (1809–1900), requested Japan to submit objects for display at the Paris International Exposition to be held in 1867 and also invited a family member of the shogun to attend. Yoshinobu had frequently given audiences to Roches and had pinned high expectations on France both militarily and economically. Yoshinobu’s younger brother Akitake (1853–1910), who was 14 at the time, is believed to have been designated as the Tokugawa family emissary owing to his closeness in age to the son of Napoleon III. It was also due to Yoshinobu’s strong interest in the culture and institutions of the West, about which he felt the need to have someone in the family go and





Japanese delegation to the Paris International Exposition (Tokugawa Akitake in center, Shibusawa Eiichi at far left of back row)

new Meiji government, making a large contribution to the drafting of Japan's statutory law. The doctor in the group was Takamatsu Ryōun (1837–1916), who, after returning to Japan, aided soldiers in Hakodate on both sides of the Boshin War (1868–69), thus initiating Red Cross activities in the country.

Also accompanying the delegation as assistant was Kurimoto Joun (1822–97), who later became Japan's second-ever consul to France. After the Meiji Restoration of 1868, he declined an invitation to serve in the new government and instead moved into the field of journalism, where he became chief editor of the *Hōchi Shimbun* newspaper. In charge of the items chosen for display at the exposition was Mizuho-ya's Shimizu Usaburō (1829–1910), who later took advantage of the opportunity and became a successful importer of printing presses and other goods. Many of the members of the delegation accompanying the shogun's younger brother were well suited for the mission, absorbing Western knowledge and putting it to good use thereafter. Meanwhile, seven members of the group served as bodyguards, all of whom were conservatives continuing to employ old-style Japanese guarding techniques and wearing swords even while abroad.

On January 11, 1867, the delegation departed aboard the French mail

steamer *Alphée* (1,500 tons) at the port of Yokohama in Japan and reached Marseilles in France 49 days later on February 29. Along the way, the group stopped in Shanghai and Hong Kong; at the latter, it transferred to a slightly larger ship, the *Messageries Impériale*. Ports visited on the way included Saigon, Singapore, Sri Lanka (then Ceylon), and Aden, with the group disembarking at Suez (the canal not being finished until December 1869). They then took a train to Alexandria, where they boarded another ship to cross the Mediterranean to Marseilles.

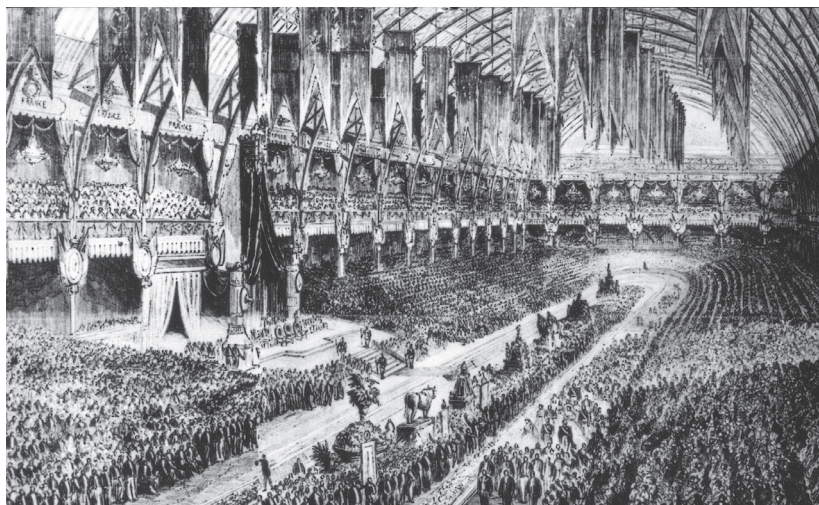
### Observations made at ports visited along the way

At Shanghai, the first port visited, the delegation was astounded by the Western-style streets in the international settlements, with their gaslights and electric cables. Eiichi also referred to the narrow alleys, grime, and horrible stench that they experienced in the old quarter of the city, where numerous poor people were milling back and forth on the streets (*Biographical Materials* 1955–65, vol. 1; Konuki 1927). In addition, they witnessed the way Westerners treated the natives like oxen or horses, which gave them a scare when they realized the gap between cultures and civilizations. They also wrote about the great discrepancies they saw in ports visited later in Asia between the even more primitive natives and the Westerners who controlled them. And they were amazed when viewing the Suez Canal being excavated at first hand by its arrestingly huge scale and public utilitarianism (Shibusawa 1871).

Eiichi's actual duties while serving in the delegation included the jobs of secretary and accountant, and he was totally in charge of drafting letters posted to Japan, purchasing goods, and managing expenses. For that purpose, he learned French, becoming able to speak a smattering of that tongue using simple, everyday language. He wrote later that he got to the point where his French got the business done, though with gestures used half of the time (Shibusawa 1984).

### Significance of the 1867 Paris International Exposition

The activities of the group on the ground in Europe included an audience with Napoleon III, ceremonial events, participation in the exposition, and inspection tours of various countries. They also took part in social events with continental royalty, including evening dinner banquets, balls, and opera viewing. Some 42 countries took part in the exposition, with 60,000 persons submitting



Award ceremony at the Paris International Exposition

items for display. The total weight of all of the items exhibited is said to have been a massive 28,000 tons. Catching the group's attention were such machines as the telegraph, electrical transmission, lighthouses, hydraulic elevators, and steam-powered machines, as well as such military objects as the latest cannons, sea mines (touch-sensitive mechanical mines), and searchlights. In the approximately seven-month-long period of the exposition, an estimated 15 million people visited it.

Japan sent 157 crates of items for display, including lacquerware, clothing, ceramics, metalwork, weapons, and Japanese-style paintings. Of those, high marks were given to sericulture, lacquerware, artifacts, and traditional Japanese paper (*washi*), all of which won first-class medallions. At the same time, a Japanese teahouse set up at the site also attracted attention, with three geisha putting on various performances there.

Eiichi's journal contains detailed records of his experiences, with elaborate mention given to certain items displayed at the exhibition site, particularly various types of machines using steam engines, state-of-the-art armaments, various kinds of currency, artifacts based on sophisticated science and technology, and artistic works. Although many other items were also displayed related to gardening, manners and customs, agriculture, and the like, his primary interest did not lie in rare articles collected from around the world but rather in those

exhibits grounded in modern scientific civilization, as described above. One can easily understand his strong interest in fields related to the monetary economy and industrial promotion, both of which were areas where he had demonstrated his ability in his native Chiaraijima and during his time with the Hitotsubashi clan.

In addition, Eiichi left these interesting words about the significance of the Paris International Exposition:

The newly invented things displayed at the year's exposition are a source of inspiration. If nations pool their strengths, explain the reasons for their actions, engage in free trade, point the way forward economically for their people, and adopt consistent weights, measurements, and currencies, we can understand one another's position, erase thoughts of hatred and evil between nations, and foster a spirit of mutual love. Visiting the exposition at a time of revolutions everywhere, we should forget about the disturbances for a moment and instead feel wonder at the beautiful customs and manners and the flowering of a peaceful world. (Shibusawa 1871)

Eiichi realized that the modern societies of the West, while competing with one another in terms of the latest armaments and machines, causing wars to break out at times, had also developed thanks to their shared economic infrastructure. This understanding of civilization was to appear frequently as the basis of his actions thereafter.

### **Observation tour around Europe**

The delegation carried out events related to the Paris exposition throughout the summer of 1867, after which it traveled around the countries of Europe for the purpose of inspection. From August to December 1867, the delegation successively toured Switzerland, the Netherlands, Belgium, Italy, and Britain, scheduling one or two weeks in each. The visit to Switzerland took place in August, with the group traveling to such cities as Bern and Geneva, having an audience with the Swiss president and viewing military exercises and a watch factory. After spending around 10 days in that country, the delegation moved on to the Netherlands, where they had an audience with the Dutch king in The Hague and visited Amsterdam to view the Japanese botanical collection of Philipp Franz von Siebold (1796–1866). Siebold, who had died the year before, was a

German physician who had spent from 1823 to 1830 in Japan in the service of the Dutch. The whole trip took some 20 days, including time spent on the road.

The main places viewed by the delegation as it visited each country tended to include military drills with modern troops, as well as arms factories, steel mills, and docks, as those made a show of the might of firearms, primarily cannons, and the ability to manufacture them. In Belgium, particularly, they viewed an army academy, a gun battery, and factories manufacturing various types of weapons and ammunition, as well as an ironworks that provided those factories' foundation. The delegation was made aware, probably more than it liked, that modern society was based on the competition and balance of military power, which itself was based upon steel and firearms.

At the same time, however, they witnessed King Leopold I of Belgium, who was quite knowledgeable about the quality of such industrial products as glass and steel, as he attempted to promote the sale of goods made domestically. Pointing out how national political leaders in the West acted as sales representatives for nationally produced goods in that way, Eiichi astutely perceived the difference in values between East and West. By accompanying the delegation on these inspections, he came to understand from his own experience the indispensability for a modern state of acquiring a modern manufacturing ability utilizing steel.

### Accepting new Western knowledge

Based in Paris, the delegation used trains to visit such countries as Switzerland, the Netherlands, and Italy. Eiichi wrote, "Thinking about what a country is, I sensed the strong feeling welling up in me—even in a completely ignorant person like myself—that a nation cannot advance and develop unless it has convenient transportation" (*Biographical Materials* 1955–65, vol. 1). This comment demonstrates that Eiichi's later establishment of numerous railroad companies across Japan was rooted in his feelings about the development of the whole European continent linked by railroads.

There was one more thing that struck Eiichi during his stay in Europe that he swore to himself to do for the rest of his life:

I have neither wisdom nor scholarship. Having encountered many changes, I no longer thought I wanted to enter politics. At the same time, though, I thought it would be a pity to return home and become a farmer. When

pondering whether or not there might be something else that I might do in the service of the nation . . . I deeply resolved at that time to transfer to Japan the practice of allowing each person to do their best in a job suited to that person's ability and knowledge. (*Biographical Materials* 1955–65, vol. 1)

Eiichi was a unique Japanese person in the sense of having received new Western knowledge from an early stage. The other Japanese who traveled to the West at the same time were greatly influenced by the republicanism of Europe and the United States too, even just through their limited daily experiences (Matsuzawa 1993). But Eiichi differed from his compatriots who traveled to the West in terms of his broad interests and acquisition of new knowledge almost exclusively in the field of modern industry and practical business matters, such as the status of commercial and industrial men, banks, and the steel industry. The background factors included his experiences since adolescence in trading and his recognition of both the futility of the idea of expelling the “barbarians” and the backwardness of the old shogunate system, which led him to lose interest in politics.

Later Eiichi occasionally mentioned that he had also learned about the system of joint-stock corporations (*gappōn*) during his stay in Europe. It is not clear whether there were situations in which he would have directly learned about their structure. But since he had plenty of opportunities to actually use banks for such purposes as managing the accounts of the delegation's living expenses and utilizing currency exchange, it was highly likely that he would have personally experienced the large-scale systems and organizations of modern banking, such as paper currency, account books, and securities, based on large amounts of capital.

Also, Eiichi's journal, written jointly with Sugiura, notes that the Russian czar, visiting Paris for the exposition, had donated all of the 100,000 francs that he won as a prize in a horseracing competition to a local poorhouse. That may have served as a trigger for Eiichi's own philanthropic activities in later years.

### Returning to Japan

From about that time the stance of the French government toward the shogunate began to change. In addition, the delegation quickly ran out of funds, so the money for the remaining living expenses was raised by borrowing from a Dutch trading company that had been asked by the shogunate to manufacture

a warship. Owing to such changed circumstances, the aim of the delegation was narrowed down to Akitake's studies, with most of the rest of the members returning to Japan at the end of December 1867. In accordance with Akitake's lifestyle of study, the personal bodyguards who stayed with him in France started wearing Western clothing and stopped carrying their swords (*Biographical Materials* 1955–65, vol. 1).

At the beginning of 1868, Eiichi learned from a local newspaper about the collapse of the shogunate. To raise money for students from the shogunate who were stranded in Britain and France, as their remittances had been cut off, he scrimped on Akitake's living expenses, thus enabling them to get back to Japan. Although an official authorization did come from the new government to return home, Eiichi wanted to allow Akitake to study in France as long as possible. Akitake made up his mind to go back to Japan, however, when he learned that he was to be appointed head of the Mito clan, an important collateral line of the Tokugawa family. Near the end of 1868 they returned to Yokohama, just short of two years from the date of their original departure.

## 4. Serving the Shizuoka domain and the new government

### Return to service under Yoshinobu

Upon his return to Japan, Eiichi said, "For all the traveling I had done, I had mastered nothing, come home empty-handed" (Shibusawa 1984). Judging from those words, at that time he seems to have lacked any sense of purpose and plans.

When Eiichi arrived back to Japan, Enomoto Takeaki (1836–1908) and others were still holed up in Hakodate (Hokkaido) fighting against the new Meiji government. But Eiichi realized the absence of strategy in that fight and was disillusioned about it. That is to say, despite its overwhelming naval power, the shogunate had failed to employ the navy's mobility in its attempt to unsettle the new government. Moreover, the shogunate's fighting force, which included Eiichi's cousin Kisaku, was composed of a motley assortment of people who could be best described as a rabble; Eiichi judged that it could hardly qualify as a resistance force capable of facing up to the new government.

Naturally, the option of joining the forces in Hakodate was not one that Eiichi entertained. At the same time, though, he did not particularly feel com-

fortable about the new government either and personally did not want to be commissioned to serve in it. Although he was asked to continue to serve Aki-take, he did not choose that course either, out of fear that the new government would come to bear false suspicions about him. Thus, via a process of elimination, his strongest desire seems to have been to watch over the former shogun Yoshinobu while the latter was confined to his home in Shizuoka. So Eiichi opted to remain near Yoshinobu and contemplate what he himself should do next (*Biographical Materials* 1955–65, vol. 2; Shibusawa 1984).

On reflection, this decision seems rather strange. Why did Eiichi give precedence to pledging allegiance to Yoshinobu once again when he had expressed opposition to the latter's inheritance of the post of shogun and had been so disappointed when Yoshinobu actually did decide to become shogun? Perhaps the reason was that Yoshinobu was the master who, despite Eiichi's background as a humble farmer, had given Eiichi the opportunity, albeit temporarily, to test his own abilities at the center of politics. In addition, it was a tempestuous time when the political situation was highly volatile. More than anything, Eiichi was unable to sympathize with the Satsuma and Chōshū domains, which, having prioritized toppling the shogunate, had won the struggle for power. Finding himself unable to settle upon any new set of values, Eiichi still felt compassion toward Yoshinobu, who had been excessively targeted as a symbol of the shogunate's downfall. Eiichi's feeling of loyalty to Yoshinobu seems to have taken precedence over everything else in his mind.

The new government recognized the continuation of the Tokugawa clan, allowing its newly appointed head, Tokugawa Iesato (1863–1940), to inherit lands in Shizuoka, an area which bore a close relationship to the Tokugawa family. Eiichi traveled to Shizuoka, having been appointed as the official in charge of the domain's economy, in abidance with Yoshinobu's direct instructions. Still, given the fact that the Shizuoka domain's future existence was totally in the hands of the new government, Eiichi could not have felt that it was the best option for him.

### Establishment of the Shizuoka Shōhō Kaisho

Although he received a request to serve in an administrative post, Eiichi at first decided to reject it. Instead he started to get involved with local merchants in the area, who later established the Shizuoka Shōhō Kaisho (the term *shōhō kaisho* means “business company”). The new government was promoting the es-

establishment of such companies with the aim of liaising with and controlling merchants for the purposes of both encouraging industry and ensuring tax revenue. The company's most important task was the circulation of *dajōkan satsu* (Japan's first paper currency, issued by the Dajōkan, or Grand Council of State, in July 1868), which were inconvertible notes. Since his youth Eiichi had keenly felt in his own work the need to rectify the corrupt practice in which government officials had predominance over ordinary people, and he had vaguely started to feel the necessity of developing private-sector businesses. At the same time, to prevent a situation emerging in which only a few wealthy merchants would get rich, he also envisioned the establishment of *kyōryoku gappon*, referring to the activities of businessmen within joint organizations. Treating the Shizuoka Shōhō Kaisho as his place of work, Eiichi believed that it could function as a means of realizing his vision. He also thought that it could serve as a receptacle for former shogunate retainers and give the Shizuoka domain an economic foundation that would let it gain a certain degree of autonomy from the new government. Therefore, he eventually decided to accept the appointment to an administrative post in order to work toward these ends.

Eiichi had initially planned to gather 260,000 *ryō* (convertible into gold specie) in *dajōkan satsu* as certificates of debt from the government, with an equivalent amount of capital raised from private sources. In the end, however, the Shizuoka Shōhō Kaisho was established in January 1869 with a total capitalization of 294,000 *ryō*, with an additional 16,000 *ryō* in funds obtained from the Shizuoka domain and 18,000 *ryō* from citizens.

### New business steadily grows

The business activities of the Shizuoka Shōhō Kaisho originally included financial services, such as merchandise-secured loans and fixed-term current account deposits, along with sales in the Shizuoka domain of such products as rice fertilizer (manure) and other items procured in the Kyoto-Osaka region and loans extended to villages. Through Minomura Rizaemon (1821–77) of the Mitsui-gumi, it also converted *dajōkan satsu* into silver specie and the like and bought and sold goods. The merchandise and goods that it purchased were diverse and procured from across Japan. They included rice, tea, silkworm-egg paper, cocoons, *mizuabura* fuel oil (such as rapeseed oil), salt, sugar, *hanshi* paper for calligraphy, *geta* (wooden sandals), sandal straps, dried sardines, and manure/fertilizer products, including oil cakes made up of oily vegetable dregs,



Shibusawa and members of the Mitsui-gumi, 1873 (Minomura Rizaemon at far right in front row; Shibusawa seated next to him)

scrap dregs, and rice bran (*nuka*). Eiichi later would recall his experiences traveling to Tokyo to buy things like scrap dregs, dried sardines, and oil cakes (*Biographical Materials* 1955–65, vol. 2).

The Shizuoka Shōhō Kaisho also lent money to migrants coming to Shizuoka from other parts of Japan for such purposes as capital to begin tea production and sericulture businesses. In less than one year, it had made 85,000 *ryō* in profit, accounting for 29% of its total capitalization. While simple comparisons cannot be made with modern companies, one could describe the Shizuoka Shōhō Kaisho as quite a success. In the spring of 1869 Shibusawa sent for his first wife Chiyo (1841–82), whom he had married in 1858, along with his eldest child, his daughter Utako (1863–1932), to come to live with him in Shizuoka. He also invited other people from his native province, including Odaka Junchū (Atsutada) (1830–1901) and Shibazaki Kakujirō (1847–1930), who later worked for the Shibusawa family as a secretary. These developments suggest that the business was steadily growing according to plan.

On account of various incidents, however, such as several purveyor merchants' having lined their own pockets, Shibusawa shut down the company in July 1872 and transferred the operations to Shizuoka Prefecture. Later two merchants who had been involved in the Shizuoka Shōhō Kaisho joined Mitsui-gumi, and the business was entrusted to that group.

Although the Shizuoka Shōhō Kaisho was only in existence for a short time,

it had accomplished definite results. Considering Eiichi's subsequent career, it can be said to have been a good stepping-stone and a chance to put into practice, in terms of both capital and human resources, the new knowledge of business that Eiichi had got an inkling of in Europe. Moreover, he was able to implement, in business form, both the financial business and product-distribution functions of the company, experiencing for himself the workings of the real economy through a modern monetary system, including the value of inconvertible currency, and merchandise.

### A stage preceding the emergence of modern business

Nonetheless, the business companies established throughout Japan at the time mostly failed amid an environment in which *dajōkan satsu*, as inconvertible notes, did not circulate, since they were mainly used for government expenses rather than circulation as commercial capital. The bearers, moreover, were former samurai and merchants, resulting in a framework not so much different in nature from the trade guilds (*kabunakama*) and domain trade offices (*kokusan kaisho*) that had operated in the Edo period. Eiichi was probably able to succeed because of his creation of value, having been able to first convert *dajōkan satsu* into specie, such as silver coins, with the assistance of Minomura, and then further actively shifting them into a barter economy by utilizing them in merchandise trading.

At the same time, Eiichi learned that the traditional merchant class was obtuse about dishonest practices carried out in the old purveyor merchant system and that businesses would not succeed unless removed from the interference of the old samurai-class bureaucrats, who could not rid themselves of an authoritative mindset. It also served as an experience for him to learn the importance of scouting for new talent and forming partnerships.

Additionally, since even commerce companies (*tsūshō gaisha*) and exchange companies (*kawase gaisha*), which were both close in format to modern companies, completely failed in operational terms at that time, it was not essentially a problem of organizational format. Rather, a little more time and preparation were needed before companies could be fully understood in Japan and take root as a modern business framework free from government interference. Managerial ability was not a hallmark of Japan's traditional merchants (Hirschmeier and Yui 1977; Kanno 1966).

### Eiichi's selection as head of taxation at the new Finance Ministry

In the latter half of October 1869 the new government delivered a summons to the Shizuoka domain office requesting the presence of Eiichi, so he reluctantly made his way to Tokyo. (Edo had been renamed Tokyo in 1868.) Once he presented himself at the government offices, Eiichi was given an order appointing him as the head of taxation at the new Ministry of Finance. At that time the ministry was led by Date Munenari (1818–92), as minister of finance, along with his subordinates Ōkuma Shigenobu (1838–1922), Itō Hirobumi (1841–1909), and Inoue Kaoru (1836–1915), all of whom were later to become key figures in the Meiji government.

Eiichi later heard that it had been Date and Gō Junzō (1825–1910) who had recommended him for the post. During the *bakumatsu* years, Date had belonged to a group supporting the marital union of the shogunate with the imperial family and was relatively in favor of the shogunate. Gō had been a shogunate retainer, though an underling. They seem to have been actively pushing for the new government to appoint forward-looking (“civilized”) talent from among the former shogunate retainers. Eiichi himself later explained that the post of head of taxation was similar to what later was to become the ministry’s taxation bureau chief, so his appointment was equivalent to a promotion skipping several ranks.

Even so, Eiichi, who did not have any friends or acquaintances among the leading figures of the new government, thought about turning down the appointment, as his affairs in Shizuoka were progressing rather well. He visited Ōkuma to tell him of his intentions but instead was persuaded to work together with him like “one of the eight million gods [*yaoyorozu no kamitachi*] who came together to create Japan.” As far as that development is concerned, Eiichi later mentioned only that Ōkuma’s entreaty was reasonable. One can also imagine, though, that Ōkuma, who came from the Hizen domain (now Saga Prefecture) and thus felt himself to be in a minority in the government, was pleased to get a person like Eiichi, who was not from the Satsuma or Chōshū domains that dominated the new government, on board. The fact that other old acquaintances of Eiichi’s from Shizuoka were also appointed to the newly established Finance Ministry as revision clerks around the same time shows how eager Ōkuma must have been to recruit them.

In March 1869 Ōkuma assumed the post of treasurer (*kaikeikan*), seizing real power over the nation’s financial affairs. Although Yuri Kimimasa (1829–

1909) had been in charge of those matters at the outset, his reckless release of a flood of inconvertible notes had thrown the nation's finances into disarray. In response to that incident, Ōkuma, as he came to seize real power in the ministry, teamed up with Itō and Inoue, among others from the Chōshū domain, to form a group of restoration bureaucrats, with the support of Kido Takayoshi (1833–77), to effect rapid “enlightenment” and the concentration of power in the Finance Ministry (Banno 2007; Inoue 2006). In June of the same year the Hansēkihōhan order was issued returning the people and lands from the daimyo to the emperor, followed by the Shokuinrei stipulating the bureaucratic organization of the government. Apart from a few exceptions, such as Matsu-daira Yoshinaga (Shungaku) (1828–90) and Date, most daimyo were thereby removed from important political posts.

Eiichi concurrently served as leader of a group within the Finance Ministry called the Reform Office (Kaisei Kakari), composed of some 12 to 13 members, including both Ōkuma and Inoue, along with several recruited from the Shizuoka domain. The office successively took on the work of revisions in the country's weight and measurement system, revisions in the taxation system, improvements to the transportation system, reforms in the monetary and salary systems, railway construction, and the construction of government buildings. As the expenditures necessary for such activities amounted to an estimated 30 million yen, compared with the annual national revenue of some 10–15 million yen, a comprehensive injection of finance had to take place. (The yen was established as the new currency unit in 1871.)

### Meteoric rise and resignation

Eiichi's rise in the ministry was meteoric, moving up one rank every few months. In addition, the personnel circumstances surrounding the Finance Ministry had changed greatly. Starting in November 1871, Iwakura Tomomi (1825–83), Kido, Ōkubo Toshimichi, Itō, and others set off on the so-called Iwakura Mission to inspect Western countries. Around that time, Date resigned his post as finance minister, and Ōkuma became state councilor. Ōkubo, though appointed as the new finance minister, was away from Japan, so Inoue, as senior assistant minister, seized the real power within the ministry.

Ōkuma and Inoue, both of whom belonged to the radical group of Meiji Restoration officials, began to oppose each other when the former became a state councilor and the latter remained in the Finance Ministry. Inoue favored

a policy emphasizing the balancing of the government budget through austere spending measures and also took a passive stance on reform. Ōkuma, along with other members of the caretaker government primarily from the former Tosa and Hizen domains (now Kōchi and Saga prefectures), and including such figures as Saigō Takamori (1828–77) and Itagaki Taisuke (1837–1919), thoroughly attacked the Finance Ministry and its austere budget policy. As a result, Eiichi and others resigned in May 1873 in protest to a plan by the Dajōkan (the Grand Council of State from 1868 to 1885) to transfer the authority to compile budgets from the Finance Ministry to the Seiin (Central Chamber), the supreme institution within the Dajōkan.

After the return of the Iwakura Mission to Japan in September 1873, the conflict surrounding the Finance Ministry over the control of government finances deepened further amid talk about a military conquest of Korea, and supporters of the caretaker government all resigned in unison. Ōkubo, who had newly established the Ministry of Home Affairs, which was given immense authority, approached Godai Tomoatsu (1836–85), and the policy of aggressive fiscal stimulus came to be promoted by Ōkuma, who was positioned at the core of the Finance Ministry. Meanwhile, records can be found of a personnel plan drafted by the Itagaki faction around the time of the Osaka Conference of 1875 (a meeting held by the members of the Meiji Restoration to discuss the formation of a representative assembly) that would have placed Inoue at the helm of the Ministry of Home Affairs and Eiichi at the helm of the Finance Ministry (Banno 2007). That is testament to the height of Eiichi's reputation for financial prowess, even though he had already assumed the post of president of the First National Bank. As can be concluded from the above, despite such a short time in office, even though he hailed from neither the Satsuma nor the Chōshū domains, Eiichi's position within the Meiji Restoration was second only to that of the so-called *genkun* (elder statesmen).

## 5. What personal qualities shaped Shibusawa's career?

### Voracious absorption of modern knowledge

The above paragraphs describe Eiichi's young years before his full-fledged entry into the world of business and demonstrate the checkered experiences that he had accumulated since the time of his upbringing. He quite luckily survived—

without losing his life—the turbulent years that stretched from the class-based society of the late Tokugawa era to the Meiji Restoration, involving himself in a variety of positions as farmer, merchant, samurai, and official. What should we make of his youth?

Eiichi was born into a family that had dramatically raised its status within the village thanks to its exploitation of new markets made possible through the manufacture of new products. Based on the wealth that those activities created, Eiichi was able to acquire a high level of education and expand his sphere of activity. Although he experienced setbacks in his direct political actions, he always had the resourcefulness to carve out a new path for himself. He was able to demonstrate his abilities to a degree more than sufficient in the unique political climate that existed in Kyoto during the late Tokugawa era and in a way not possible for someone of a conservative samurai background. Even though he was entrenched in the old shogunate system which was encumbered by antiquated ways, he was able to seize the opportunity to travel to France. And even more so than the other members of the delegation to the Paris International Exposition, his previous experiences allowed him to absorb the elements of modern society, one after another, in a manner that met his own needs. Though he was drawn into the new political situation after his return to Japan, Eiichi was able to leave the door open and shrewdly create a safe landing spot for himself.

### **Ability to display his talents in the business sphere**

As one can understand from the introduction presented so far, Eiichi's setbacks were mainly in the realm of political ideas and activities. His antifeudal and anti-authority stance frequently ran into difficulties, and he was sometimes forced to decide between sitting on the fence or changing sides. He always found a way out of those difficulties, though, through actions related to business. He was able to display his talents through such activities in an unparalleled fashion, and he gained a lot of confidence and purpose from doing so. The areas in which he was more than able to demonstrate his abilities, both at the samurai level and as a bureaucrat, were those in which he was placed in charge of business affairs.

On top of his strengths characterized by a certain degree of economic rationality and sense for calculation, Eiichi was especially good at propelling things forward by adding a “human touch” that built relationships of trust in which

each side recognized the other. At the same time, though, his personality was not conducive to taking on authority, negotiating with others about trivial differences, clashing with others emotionally, or engaging in power struggles that sometimes might wind up in an unanticipated direction owing to random factors.

This period of Eiichi's career formation was marked by a repeated process in which he made up for his unremarkable political efforts, at which he was neither particularly skillful nor very keen, with highly successful business activities, which earned him a good reputation in the economic sphere. Blessed by his family environment, his location, and his opportunities, he was able to overcome a multitude of challenges with unerring judgment in a way that would have been impossible through conventional thinking. Certainly, it is extremely rare for a person to be able to find, through various experiences, a stage on which to fully display their abilities in such a manner.



## Chapter 2

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# Leader of the Meiji Business World: Developing the Mechanisms for an Open Economy



Shibusawa during his First National Bank years (ca. 1883)

## 1. Establishment of the First National Bank

**The background to Shibusawa's establishment and management of joint-stock corporations**

To understand Shibusawa's departure from government service and entry into the world of business, we must continue to look a little closer at his time in government service. The reason is that Shibusawa played a leading role in the establishment of the First National Bank while still working for the government. And when he ventured into the private sector, his first move was to the First National Bank. That move was the starting point after which Shibusawa was to set up and manage a myriad of joint-stock corporations in the years to come.

The First National Bank, which was effectively founded with the assistance of the Mitsui-gumi, finally reached the point of establishment only after a violent clash of ideas and intentions between Shibusawa and the Mitsui-gumi. Broadly speaking, the discord played out over three phases: (1) a unilateral attempt by the Mitsui-gumi to establish a bank on its own and its failure to gain authorization; (2) an attempt to establish a bank jointly with the Ono-gumi merchant house; and (3) the transfer of a newly built Mitsui-gumi building to the First National Bank. Given the discrepancies in the records kept by both Shibusawa and the Mitsui-gumi, I will attempt to treat both sides as equitably as possible when looking at the developments that took place.

The new Meiji government had issued inconvertible paper currency because of a financial drought and its efforts to encourage new industry, but it experienced various problems, including difficulties in circulation due to the currency's falling value, as well as a lack of international trust. At the same time, it backed the establishment of private-sector institutions with bank-like functions, such as chambers of commerce and exchange companies, which would lend the inconvertible paper currency to private businesses. Owing to excessive government intervention and the lack of knowledge and experience on the part of the merchants supporting them, however, they did not have much success.

To break out of the deadlock, the government sent a 21-member delegation, including Itō Hirobumi (later to become Japan's first prime minister), to the United States at the start of November 1870 to study the country's national banking system. At the end of December 1870 the delegation sent a proposal

back from the United States advocating the establishment of a gold standard system, the issuance of bonds in exchange for the paper currency issued by the new government, and the establishment of an institution to issue paper currency. The proposal reached Japan in early February 1871.

In accordance with the proposal, the government decreed a new currency ordinance in May 1871 establishing a monetary system based on a gold standard with the yen as the currency unit. (In actual practice, though, the system operated as a silver standard.) Shibusawa was involved in the drafting of that ordinance. At the same time he wrote an enlightened book titled *Rikkai ryakusoku* (Guidelines on Forming Companies), published in June 1871, dealing with joint-stock capitalism and the company system. As he systematically brought together the knowledge that he had seen and heard about the West and made preparations for a modern banking industry and company system in Japan, Shibusawa's state of mind went through a drastic change. Saying that "I have decided to enter the private sector and stand on the front line of the world of business," he told Ōkuma, Itō, and others of his intention to step down from the government (Shibusawa 1871). For some time after that, Shibusawa repeatedly hinted at his impending resignation and fended off entreaties from people trying to persuade him to stay on in government service.

### Violent conflict of opinions with the Mitsui-gumi

As for the Mitsui-gumi, thanks to the shrewdness of Minomura Rizaemon, it had come to assume a central position in private-sector lending by the shogunate in Edo and the issuance of paper money. After the collapse of the shogunate in 1868, it was commissioned to circulate the *dajōkan satsu* bills issued in huge amounts by the new government, thus obtaining the government's trust. Ever since the waning years of the shogunate, however, the Mitsui-gumi had been in a critical situation on account of the enormous amounts of money taken by the shogunate and various kinds of unrecoverable loans that it had made during the confusion just before and after the Meiji Restoration.

In order to resolve the situation, Minomura seized the reins of a newly established half-governmental, half-private finance and trade organization set up in Tokyo. Moreover, Minomura managed to build such close relations with the new government that the Mitsui-gumi was able to set up an office in the government's commercial department, which was in charge of financial affairs.

Around this time, a consensus was forming within the government to re-

place the inconvertible paper currency with new convertible paper currency, relying on capital from the Mitsui-gumi and other wealthy merchant houses to finance it, and to establish a bank to issue the bills. However, a violent clash continued between Inoue, Shibusawa, and others, who advocated a British-style private banking system, and Itō, who preferred an American-style national banking system.

According to documents kept by the Mitsui-gumi, on June 5, 1871, in line with the new currency ordinance, the Mitsui-gumi was contracted independently to carry out the duties of retrieving gold bullion and exchanging old money for new. In addition, it was pressed to establish a bank, so it began work on constructing a Western-style, five-story building alongside the marine cargo bridge in Nihombashi for the massive sum of 48,000 *ryō* (by contrast, Japan's first railway station, Shimbashi in Tokyo, cost slightly less than 30,000 *ryō*) (Hatsuda 1994). The site of the building was land that the Mitsui-gumi had received the previous December for its services in procuring capital for the new government.

In July 1871, on the basis of a plan drafted by Shibusawa, the Mitsui-gumi requested permission to establish a bank and issue convertible notes. At first approval was given, but Itō violently objected to the direction of the new bank, and at the beginning of September the plan was scrapped. In the end, only the urgent matter of the issuance of convertible notes was actually carried out in the name of the Mitsui-gumi exchange shop.

The confrontation between the two sides continued for almost half a year before it was finally decided, at the end of 1871, to establish a national banking system. At the beginning of the new year Shibusawa led a team that drafted a national bank ordinance. No matter what format it took, though, the fact remained that the bank's establishment was still centered on the Mitsui-gumi, which sent apprentices and clerks to the United States at the end of 1871 to learn about the banking business.

### **A new banking model**

A little later, in February 1872, the Ono-gumi also applied to establish a bank. As the policy of the Finance Ministry was inclining toward the establishment of a note-issuing bank through joint investment, around March–May 1872 it suggested that the Mitsui-gumi and the Ono-gumi should jointly establish a bank. The national bank ordinance that Shibusawa and others were preparing was

enacted in November 1872. The aim of the government in initiating the establishment of a national bank was to set up the national bank using private capital and then have it issue convertible bank notes, while recovering the inconvertible paper currency of the government. Sixty percent of the capitalization was delivered to the Finance Ministry as government-issued inconvertible (paper) currency, with the equivalent amount in national bank-issued (paper) currency received. The remaining 40% was paid in gold bullion and allotted toward specie reserves (Kamiyama 2004). In this way, the debate over whether to follow the American model or the British model, which took place between those who had visited the United States (Itō, et al.) and those who had stayed in Japan (Inoue, Shibusawa, et al.) ended up with a new banking model gradually emerging in which private capital was utilized without relying too heavily on any specific merchant house.

### **Three demands of the government**

While relying on the Mitsui-gumi for its financial clout, the government refrained from allowing it to have a monopoly. Since Minomura, who had had to weave his way through some highly volatile political and economic circumstances, was facing a difficult situation in which failure was not an option, it was no easy task to make concrete decisions on the demands thrown at him. The government (in other words, Shibusawa) made three successive demands to the Mitsui-gumi: (1) the separation of the Echigoya drapery business, which can be described as having been the flagship of the Mitsui-gumi enterprise; (2) the joint establishment of a national bank with the Ono-gumi; and (3) the hand-over of the Mitsui-gumi's new building and the land on which it stood in Nihombashi. Let us take a closer look at each of these points.

First, regarding the separation of the drapery business from the Mitsui-gumi enterprise, Ōkubo, Inoue, and others instructed Minomura in September 1871 not to use the name "Mitsui" with any other business lines once the banking business had been established. Soon after New Year's Day in 1872, the leaders of the Mitsui-gumi were officially counseled to break off the drapery business and asked to give an immediate response. Ever since the late Edo period, the drapery business had been sluggish to the extreme, so there was good enough reason to accept this demand. What the Mitsui-gumi did was to set up a fictitious "Mitsukoshi" family, leave stores in Tokyo, Kyoto, and Osaka to their existing top executives, and greatly downgrade their position within the

Mitsui-gumi as a whole.

Second, regarding the establishment of a bank not by Mitsui-gumi alone but jointly with the Ono-gumi, although the government's initial policy was to restore its finances to a sound footing by relying on the Mitsui-gumi's enormous capital muscle and trust to issue paper currency, in the end Itō's proposal for a national banking system was adopted. With the addition of other external factors, the proposal ended up being very much different from what the Mitsui-gumi had originally envisioned. In February 1872 the Ono-gumi, seeking to make a comeback, submitted an application itself to establish a bank, with the backing of the Osaka business leader Godai Tomoatsu (1836–85). Two months later Shibusawa invited the leaders of both the Mitsui-gumi and the Ono-gumi to his house to sound them out about the plan to establish a bank jointly. In his autobiography, Shibusawa wrote, "The Mitsui-gumi and Ono-gumi took the initiative and accepted my recommendation to become its promoters" (Shibusawa 1984; Mitsui Bank 1957). In fact, however, both groups naturally opposed it strongly. In response, the government in May made some pushy and high-handed efforts to persuade them, including hints of the termination of the Mitsui-gumi's handling of governmental funds, so in June both groups were forced to submit an application to jointly establish a national bank.

According to explanations made by the Shibusawa side in later years, he was highly conscious of the need to realize joint-capital firms. In the early days, however, he had favored the independent establishment of a bank and the issuance of paper currency by the Mitsui-gumi alone, so that reasoning does not necessarily ring true. In the process of drafting the national bank ordinance, it was probably natural that he changed his line of thinking about the new bank, wanting to impart to it a strong public nature and level of safety in conjunction with its role in issuing notes and moving it in the direction of incorporating the joint-stock capitalism that he had written about in *Rikkai ryakusoku*, which put the highest priority on fair and neutral management. There were violent clashes within the government between factions trying to gain the upper hand, as exemplified by the acrimonious debate with a group advocating a hard line in foreign affairs. Also, in economic matters, the government intervened excessively in the dealings of trading companies and others, and consequently there was widespread appropriation of money for private purposes. For their part, the merchants recruited to manage the companies could not rid themselves of the penchant for forming cozy ties with those in politics, and at the same time

they were unable to shake off a myopic perspective by which they soon misappropriated any available funds, thus causing a crunch in operations. A second failure in the formation of a banking and monetary system, the foundation of the nation, was just not an option. So while maintaining its reliance on the Mitsui-gumi, the government was uncompromising in its demands.

The third difficult problem facing the Mitsui-gumi was the stiff demand that its new building and land in Nihombashi, a symbol of the group's rebirth, must be transferred to the First National Bank. At the end of July 1872 the leaders of the Finance Ministry and Alexander A. Shand (1844–1930), a foreign expert hired by the Japanese government, made an inspection of the Mitsui-gumi building, which had been completed just one month earlier. Soon thereafter they began to try to unsettle the Mitsui-gumi, suggesting that they might halt its handling of government finances, thus forcing it into a situation where it had no choice but to transfer the building to the government. Furthermore, before then, around May, it seems to have been assumed that Shibusawa would play a leading role at the time of the bank's establishment (Mitsui Bank 1957).

As described above, being subject to such harsh demands, the Mitsui-gumi was forced into a position where it could not refuse them. Nevertheless, eventually it was able to sell the new building, which had been built at a cost of 58,000 yen after the Mitsui-gumi had received provisional authorization to establish a bank independently, to the government at the high price of 128,000 yen, so it might be said that the Mitsui-gumi bit the bullet but made a fast buck in the process (Hatsuda 1994; Fujimori 1986). At the same time, by doing a favor for the government, it created an obligation of gratitude from it, and the Mitsui-gumi maintained its privileged position of handling a variety of government finances.

### **High-handed political tactics**

Shibusawa's ideas about joint-stock capitalism and the establishment of a note-issuing bank as a financial reconstruction policy came to fruition in the First National Bank, which was a crystallization of his thoughts. While Minomura sought to assert his presence close to the government as the leader in control of the financial strength of the Mitsui-gumi, Shibusawa believed that the organization should be funded by a large number of shareholders and controlled through the ability to introduce and manage modern mechanisms, such as Shand's double-entry bookkeeping and an auditing system. Shibusawa him-



First National Bank building

self chose to follow the business track, venturing into the private sector and steering the economy in ways that would have been impossible for the government alone. Nevertheless, although Shibusawa aimed to acquire a position in which he would not have to bow to either government or financial power, the fact that the only way he could do so was to use rather high-handed political tactics makes one realize what a long road lay ahead.

In September 1872 the distribution of personnel at the bank was decided, with the Mitsui-gumi and Ono-gumi contributing one president each and an equal number of directors. After the declaration of the national bank ordinance on November 15, 1872, the government distributed a pamphlet calling for shareholders and also placed frequent announcements in the *Tōkyō Nichinichi* newspaper.

### Launch of operations of the First National Bank

On May 7, 1873, Shibusawa, together with Inoue, announced his resignation to the Finance Ministry; he left government service on May 23. On June 11 of that year the inaugural meeting of the First National Bank was held. Capitalization was a little more than 2.44 million yen, with 1 million yen invested each by the Mitsui-gumi and Ono-gumi and an additional 440,000 yen raised from the public. Upon the advice of Shibusawa, it was decided at the time to install a post of superintendent to oversee the bank presidents and directors and to chair



One-yen note issued by the First National Bank (front and back)

meetings of directors. The day after the inaugural meeting, Shibusawa signed the contract and assumed that post.

On July 20, 1873, the license to run the business was granted, and an inaugural ceremony was held on August 1, marking the official start of operations. The main branch was located in the former Mitsui-gumi building, which the Mitsui-gumi had constructed as a bank, with additional branches in Osaka, Kobe, and Yokohama. The bank naturally handled both the issuance of paper currency and normal banking operations, but a large part of its duties, and revenue, consisted of the handling of receipts and expenditures by the Finance Ministry and other governmental offices.

Crisis soon arrived, however, when the Ono-gumi went bankrupt just one year later, in November 1874. The bankruptcy resulted from the inability of the Ono-gumi to put up collateral (one-third of the total) for its portion of the duties of handling governmental receipts and expenditures. The First National Bank had lent the Ono-gumi about 1.38 million yen, but thanks to Shibusawa's efforts, its shares in the bank, worth 840,000 yen, and other assets were recovered, so the damage was kept to a minimum.

In January 1875 the bank's capitalization was reduced by 1 million yen, new directors were appointed, the post of superintendent was abolished, and Shibusawa became president. The bank's duties of handling governmental receipts and expenditures were halted too. Instead, the bank began shifting to the track

of commercial banking. Among other activities, it started handling hereditary pension bonds and introduced fixed-term deposits with interest rates set higher than those of ordinary deposits, as well as raw silk documentary bills of exchange, whereby capital was lent to domestic and foreign merchants with raw silk as collateral.

### **Promulgation of revised national bank ordinance**

Around this time, however, the nation's financial situation became tight. Continued domestic strife, such as the Saga Rebellion in 1874, and the overseas dispatch of troops to Taiwan, also in 1874, sparked inflation. An outflow of specie held by the bank and a shortfall in exchange liability reserves forced the bank to stop issuing paper currency. As a result of negotiations between Shibusawa and government officials responsible for finance, a revised national bank ordinance was promulgated in August 1876, by which the exchange liability reserves were relaxed to reserves through government-issued paper currency. In other words, the paper currency that was issued ceased being convertible, making it possible to establish banks based on the pension bonds issued in commutation of the hereditary stipends of nobles and samurai. Many banks were indeed established up to the founding of the 153rd national bank in February 1879.

Owing to the spate of new banks being set up, Japan experienced an economic boom in the late 1870s and early 1880s. Thereafter, while small and medium-sized banks went under during tough economic times stemming from the deflationary policy of then Finance Minister Matsukata Masayoshi (1835–1924), the First National Bank expanded its network of branches, mainly in the Tohoku region of northeastern Japan, for the purpose of lending to rice farmers and also grew by expanding operations on the Korean Peninsula.

## **2. Building a system to create modern industry**

### **Creating companies and lending to them**

Shibusawa had made his start in the private sector as a banker, but he soon discovered that there were not enough companies around to lend money to. So in parallel with his work as a banker, he set about creating companies that would seek loans from the bank.

The following are a few of the companies that Shibusawa established in the early days, many of which were essential to the modernization of Japan's economy. Oji Paper had been a state-run company that was originally authorized to be set up in 1873. In the following year Shibusawa was entrusted with the operations of the firm at the general shareholders' meeting; he also served as the shareholders' representative. The business of gaslight construction in Tokyo by the Tokyo Chamber, which had started in 1874, became Tokyo Gas in 1885, with Shibusawa serving as its board chairman from 1893. In 1875 Shibusawa led the establishment of Tokyo Railway, which took over the Tokyo–Yokohama railroad originally run by the government. In 1876 he was involved in the Shinagawa White Brick Factory, which had started producing fire-resistant bricks. Also, Shibusawa set up Tokio Marine Insurance in 1879 and Japan Railways, which laid down railways from Tokyo to the Tohoku region, in 1881. In 1882 he set up both Osaka Cotton Spinning Co. and Kyodo Joint Transportation Co.

#### **Coordinator of private-sector financial circles**

While establishing a variety of companies, Shibusawa was also actively engaged in the enlightenment and coordination of private-sector financial circles. With the revised national bank ordinance of 1876, a large number of national banks were established across the country. In order to educate and raise the status of people involved in banking, including those in private-sector banks, he organized an industry association known as the Takuzenkai in 1877, with monthly meetings held and a journal published with the aim of enlightening those in the business with new knowledge. Later, in 1880, that group merged with other organizations to become the Tokyo Bankers' Association. The association recommended the use of commercial paper transactions, and in 1887 it established the Tokyo Clearing House, of which Shibusawa later became chairman.

Another industry association was the Tokyo Chamber, the predecessor of the present Japan Chamber of Commerce and Industry. Established in 1872, it took over the operations (1,700 sites) and remaining balance of the relief fund (550,000 yen in cash) of the town meeting places set up to help the poor by Matsudaira Sadanobu (1759–1829), who was known as an administrative reformer during the Edo period. Shibusawa assumed the post of the group's director and worked to organize Tokyo's infrastructure, such as roads, bridges, sewers, and gas lines. With the infrastructure thus being widely organized, the Tokyo Chamber set up Tokyo Commercial School for commercial education,

which later became Hitotsubashi University (see chapter 5), and the Tōkyō Yōikuin welfare institution, where Shibusawa served as secretary general and later president. The Tokyo Chamber itself disbanded, returning the remaining assets of its community fund to the Tokyo municipal government in 1876, but then the Tokyo Chamber of Commerce was established in 1878 with the aim of raising the status of those involved in commerce and industry. The Tokyo Chamber of Commerce played a key role in the movement in the private sector to revise the commercial treaties that Japan had concluded with foreign countries in the 1850s and 1860s. Shibusawa was elected president and remained in that position for 27 years, until 1905 (Tokyo Chamber of Commerce 2008; Shibusawa Kenkyūkai 1999).

### **3. Overall picture of the businesses in which Shibusawa was involved**

While primarily engaged in the activities of the First National Bank, Shibusawa was actively involved in the fostering of Japan's modern industry across the board, far exceeding the level of simply nurturing bank borrowers and the like. In the following paragraphs I will introduce the various companies he was involved with, not chronologically but rather looking at how they were established and managed and explaining their mechanism.

#### **The total number of companies in which he was involved**

Let us begin by investigating how many companies Shibusawa was involved with during his lifetime. Since there were varying levels of involvement, it is difficult to state the number precisely. But let us look first at the number of companies in which he had some kind of official position from the time of their establishment and thereafter. The document used for this analysis is a chronological record of Shibusawa's posts compiled by the Shibusawa Eiichi Memorial Foundation (Ryūmonsha) after his death in 1931. Since the record was drawn up immediately after his death, one can assume that it covers all of his official positions quite comprehensively.

The total number of companies appearing in the document amounts to 178. (Companies that changed their names following mergers and so on but maintained a clear continuity as the same organization are counted as one company.) Of those, Shibusawa served as chief director, president, or bank president for 22

and director for 12. In those 34 companies (including overlapping examples), then, he was in charge of their management as an executive. In another 109 companies, he served in a position at the time of their establishment, such as facilitator, proposer, organizing committee member, or organizing committee chairman, after which he was primarily connected to them through his own investments. In the remaining 87 companies on the list, he served as counselor, auditor, advisor, or the like.

A breakdown of the list by the top 10 industries goes as follows, in decreasing order: (1) 22 land transport companies (such as railways), (2) 19 “foreign-affairs” companies, (3) 16 banks, (4) 11 commercial and industrial companies, (5) 8 mining companies, (6) 8 ceramic companies, (7) 7 chemical companies, (8) 7 electricity companies, (9) 6 insurance companies, and (10) 6 marine transport companies (such as shipping). There was understandably not so much conflict of interest in his serving as director in the multiple railway companies and banks, given that such businesses needed separate institutions in each region of the country. As for “foreign-affairs” companies, Shibusawa was involved in many companies in Japan’s colonies.

To cite those companies that still exist today in one form or another, the main one was the First National Bank (now Mizuho Bank). Those companies in which Shibusawa served as chairman or president that still exist in some form today include the following (original name given): Tokyo Gas, Japan Brick Manufacturing, Tokyo Rope, Kyoto Textiles, Tokyo Artificial Fertilizer, Tokyo Ishikawajima Shipyard, the Imperial Hotel, Oji Paper, Iwaki Coal Mine, Hiroshima Hydroelectric Power, and Sapporo Breweries. Additionally, he was associated with the following large corporations that are representative of Japan today, having either assisted in their establishment or served on their boards: Osaka Cotton Spinning, Japan Railways, Tokio Marine Insurance, and Nippon Yusen Kaisha (NYK).

### Characteristics and types

While it is impossible to analyze every single one of the 178 companies here, let us apply certain conditions to them and extract certain characteristics that can then be considered further. The publication *Nihon zenkoku shogaisha yakuin-roku* (All-Japan list of corporate executives), which has been released annually since 1893, gives us a basis from which to obtain information on Japanese companies and their directors. A look at the 1895, 1902, and 1907 editions of that

**Table 1. Ranking of top income earners; list of investors in multiple companies**

Name, etc.	Location	Ranking among top earners in Tokyo and Yokohama (1898)	Large shareholders, 103 companies (1898)
Iwasaki Hisaya (Iwasaki family)	Tokyo	#1	#3
Mitsui Hachirōemon (Mitsui family)	Tokyo	#2	#4
Sumitomo Kichizaemon	Osaka	#4	
Yasuda Zenjirō (Yasuda family)	Tokyo	#6	#7
Ōkura Kihachirō	Tokyo	#8	
Amenomiya Keijirō	Tokyo	#13	#6
Nomoto Sadajirō	Tokyo		#10
Wakao family (Wakao Ikuzō)	Kanagawa		#12
Tanaka Heihachi	Kanagawa		#13
Adachi Magoroku	Shizuoka		#16
Toyama Shūzō	Osaka		#18
Tanaka Shinshichi	Kanagawa		#19
Matsumoto Jūtarō	Osaka	#14	#30
Moroto Seiroku	Mie		#22
Hara Rokusuke	Tokyo		#23
Shibusawa Eiichi	Tokyo	#18	#25
Abe Hikotarō	Osaka	#19	#21
Hara Zenzaburō	Yokohama	#20	
Furukawa Ichibei	Tokyo	#22	
Mogi Sōbei	Yokohama	#23	
Kōnoike Zenemon	Osaka	#25	
Watanabe Fukusaburō	Yokohama	#26	
Kameda Kaijirō	Tokyo		#29
Fujita-gumi	Osaka		#31
Tsukamoto Gōmei (partnership)	Kyoto		#32

Sources: Ishii Kanji. "Seiritsuki nihon teikokushugi no ichidanmen" [One segment of Japanese imperialism during the period of its creation] in *Rekishigaku kenkyū* [Historical research], no. 383, 1972.

Takamura Naosuke. *Kaisha no tanjō* [The birth of companies]. Tokyo: Yoshikawa Kōbun-kan, 1966.

Suzuki Tsuneo, Kobayakawa Yōichi, Wada Kazuo. "Meijiki no kaisha oyobi keieisha no kenkyū: 'Nihon zenkoku shogaisha yakuinroku' (Meiji 31-nen-ban) no bunseki" [Studies on Meiji companies and managers: Analysis of *Who's Who of All Corporate Executives in Japan (1898 version)*], in *Sangyō Keizai Kenkyūjo Kiyō* (Chubu University), no. 9, 1999.

Furubayashi Kamejirō. *Jitsugyōka jinmei jiten* [Dictionary of businessmen's names]. Tokyo: Tokyo Jitsugyō Tsūshinsha, 1911.

Number of executive board positions in firms, etc. (1898)	Occupation, affiliation, etc.
9 firms	
7 firms	
7 firms	Busō Chūō Railways president, silver trading
12 firms	Raw silk sales merchant, proprietor of Yokohama Wakao Bank
15 firms	Raw silk trading, president of No. 120 National Bank
	Agriculture, landlord
12 firms	President of Naniwa Bank, head of mercantile agency
28 firms	Western fabric trading, president of No. 130 Bank
	Forestry management, rice trading
31 firms (#1)	
19 firms	Osaka rice trader
12 firms	Yokohama sales merchant
	Ashio Copper Mine
	Yokohama sales merchant, president of No. 2 Bank
	Kōnoike Bank
9 firms	Yokohama sales merchant, president of Yokohama Trade Warehouse

Primary Sources: *Nihon shinshiroku, daigohan* [Who's who in Japan], vol. 5. Shibuya Ryūichi, ed. *Taishō Shōwa Nihon zenkoku shisanka jinushi shiryō shūsei, dai 5 han* [Compilation of materials on capitalists and landlords nationwide in Japan during the Taisho and Showa periods, 5th version].

*Jiji Shinpō*, March 29 to April 7, 1899.

*Nihon zenkoku shogaisha yakuinroku* [All-Japan list of corporate executives]. 1898.

publication shows that Shibusawa's name appears in posts in 49 companies. We can identify four common characteristics of those companies in which he was involved, as follows:

- An extremely high percentage of the businesses were entirely new kinds of enterprises that had never existed in Japan before and incorporated new knowledge and technology from the West, such as Japan Brick Manufacturing, Tokyo Rope, Tokyo Artificial Fertilizer, Tokio Marine Insurance, Tokyo Ishikawajima Shipyard, Oji Paper, Tokyo Gas, and Sapporo Breweries.
- Many of the companies created what can be described as infrastructure for the modern economy, such as railways, ports, and mines, including Japan Railways, Hokkaido Railways, Hokuriku Railroad, Wakamatsu Port Construction, Moji Port Construction, Iwaki Coal Mine, and Naga-to Smokeless Coal Mine.
- When he served in important posts, Shibusawa limited himself as a rule to one company per industry type (though there were exceptions).
- In cases where he served in important posts in several companies in the same industry, such as railways or coal mining, he made it a rule not to be in overlapping companies in the same geographical region.

A closer look at the different levels of involvement that Shibusawa had in the companies in which he served as chairman, president, director, advisor, or the like allows us to categorize them into various types.

The first type of company included those in which he was engaged as chairman or bank president from beginning to end—that is, from 1895 until he retired from the world of business. The following seven companies are in this category: Tokyo Gas, Japan Brick Manufacturing, the First National Bank, Tokyo Artificial Fertilizer, Tokyo Savings Bank, Tokyo Ishikawajima Shipyard, and Iwaki Coal Mine. The second type of company included those that he was involved in over the long term while serving temporarily as chairman. The following four companies are in this category: Tokyo Rope, Kyoto Textiles, the Imperial Hotel, and Tokyo Hat. The third type included those companies in which he served from start to finish as director or auditor. This category consisted of Tokio Marine Insurance, NYK, and Hokkaido Hemp Processing. The fourth type included those companies in which he served temporarily as chair-

man over the short term, such as Oji Paper, Kyongbu Railway (Seoul–Pusan), Nagato Smokeless Coal Mine, Gyeongin Railway (Seoul–Inchon), and Hiroshima Hydroelectric Power.

The first two types of companies—that is, those that he served over the long term in the highest position of responsibility—can be described as the enterprises in which he was most deeply involved. The other two types were each characterized by different levels of involvement: The third type consisted of those companies that he continued to serve as part of a larger management team over the long term, and the fourth type consisted of those that he first accepted the post of chairman but quit after a short while for one reason or another.

The industry types of the companies that Shibusawa was involved in were indeed varied and were located not only in Tokyo but across the country. An analysis of each of the individual companies mentioned above shows that none of them, without exception, experienced smooth sailing but rather overcame several crises as they grew. We need to take a closer look at his involvement in this huge number of companies and how he managed them.

Next, let us take a look at his position as a manager and shareholder within the entirety of Japanese business. Table 1 shows a list of Japan's top income earners in 1898, as well as the largest shareholders in the country's top 103 companies. The list excludes members of the aristocracy and the like and focuses on company executives. Shibusawa ranked 18th in the top income earner list and 25th in the top shareholder list. His concurrent assumption of positions in 31 companies was the highest number for any person. He was a typical example of a successful businessman, being a top shareholder in many companies while also serving as the president or director of a multitude of companies, earning a lot of money from his many activities.

Let us explore how Shibusawa was able to succeed as a businessman in this way from a variety of perspectives.

## **4. Shibusawa's efforts to establish many companies**

### **The procedure for launching companies**

Of the many different roles that Shibusawa played, the most important was his leadership and assistance in launching new companies. The procedure for

starting companies in the Meiji period (1868–1912) was as follows. First, a facilitator would draft a prospectus and articles of association for the company, after which investors would be recruited. The facilitator would be obligated to solicit the shares, and if the company ended up not being established, the facilitator could be obligated to shoulder the related expenses. Additionally, the facilitator was obligated after that to request shareholders to make the first payment of funds, schedule the inaugural meeting, and make a report of matters related to the establishment at that meeting. After that process was completed, the inaugural shareholders' meeting would be held, with directors and auditors selected, who would then go on to act as an investigative body. Moreover, the inaugural meeting had the function of maintaining the right to alter the articles of association. Shibusawa played a major role in the establishment of, or assisted in the establishment of, a large number of companies through these procedures.

### Case study of Kyoto Textiles

Let us introduce one example of a company that Shibusawa launched. In December 1886 he and 38 others held a meeting to promote the establishment of Kyoto Textiles. Although Shibusawa did not belong to the five-member establishment committee, he decided to merge the company with Kyoto Dyed Textile and Kyoto Thread Twisting, both of which were also being planned at the same time. It was to be Japan's first large-scale Western-style textile plant. The company was capitalized at 110,000 yen from Tokyo shareholders and 240,000 yen from Kyoto-Osaka shareholders, with no public subscription (*Biographical Materials* 1955–71, vol. 10).

In February 1887 an application was submitted for the company's establishment (letter of intent of establishment, main points of company organization, etc.). Of the 13 men listed as representative facilitators in the application, the name of Kumagaya Tatsutarō (1846–?) was listed as Shibusawa's proxy (*Biographical Materials* 1955–65, vol. 10). The initial committee chairman (equivalent to company president today) was Naiki Jinzaburō (1848–1926); Kumagaya was named as committee member in charge of inspection. Shibusawa was the top shareholder, with 400 shares. Given the policy of selecting the company advisors from the Tokyo shareholders, Shibusawa assumed that position together with Ōkura Kihachirō (1837–1928) and Masuda Takashi (1848–1938) (Aoki 1937). Because of the company's poor performance due to the recession

of 1891 and problems in launching the firm at the outset, Shibusawa replaced Naiki as committee chairman (company president), with Arakawa Shin'ichirō (1856–1930) assuming the post of managing director (committee member). Partly on account of the resignation of the previous executive staff, the new management team of Shibusawa and Arakawa replaced the foreign engineers who had been employed by the company, bringing in Japanese engineers instead. They also strove to improve the dye works, which had the poorest performance, bringing it on track through mechanically manufactured products, thereby swiftly restoring the company's business performance (Aoki 1937). Shibusawa's assumption of the presidency was a temporary measure aimed at averting a crisis, and Arakawa was later replaced by Tanaka Gentarō (1853–1922), who returned to the directorship. Tanaka worked hard to promote efficient management and active mechanization, going on to become chairman of the board in 1900. Meanwhile, Shibusawa's position in the company changed to that of director, and later advisor, as he gradually withdrew from the front line of management.

### **The role expected of Shibusawa**

While Shibusawa was not necessarily the central facilitator all the time during the launch of companies, he often accepted the chairmanship of the inaugural meeting and designated directors and auditors. Naturally, he did not decide such members by himself, but his presence was important in the sense of publicizing the names of the directors to ordinary shareholders as the consensus of the inaugural committee members.

Additionally, Shibusawa often tended to accept the responsibility of handling companies when problems occurred shortly after they were launched or when operations failed to get on track during poor economic times during the first few years. Shibusawa overcame such initial crises through rationalization policies, such as capital reduction, as well as by bringing in professional management staff, such as managing directors and general managers.

As far as his involvement in the launch of companies was concerned, a major role that others expected Shibusawa to play was his support for the selection of directors at inaugural meetings. Shareholders enjoyed greater authority in Japanese companies in the Meiji period than they did after World War II, so it was necessary, even as early as the inaugural meeting, to iron out differences of opinion between large shareholders on the one hand and small and medi-



Headquarters of Kyoto Textiles Co.

um-sized shareholders on the other. The name of Shibusawa Eiichi, who had led the world of Japanese business since its infancy, was extremely important in helping founding members stand by their guns amid the swirling eddy of self-interest at such times.

A comparison of the companies that continued existing after their launch with those that broke up after a short while, or which failed even to get off their feet, shows that even Shibusawa was not always able to rescue firms during times of recession if the conditions were not right. Those conditions seem to have been the ability to persuade shareholders to accept painful rationalization in hard times and whether or not professional managers could be recruited.

## **5. Demonstration of abilities at general shareholders' meetings**

When considering the role played by Shibusawa in joint-stock corporations, another important point was what he did once the companies were established. In the management of companies, general shareholders' meetings are occasionally the scene of entangled situations on account of marked confrontations between the interests of managers and investors. Let us look at the role that Shibusawa played during such confrontations.

Unlike general shareholders' meetings in postwar Japan, which for many years were summarily concluded after only a brief time ("everyone clap and let's

finish quickly”), those of the Meiji period saw shareholders express their differences of interest, with both management and shareholders having to work hard to achieve a consensus. They were not just superficial meetings but actually major events at which much time and effort was spent trying to make important decisions that would be able to coordinate the interests of the various stakeholders involved (Kataoka 1988).

Shibusawa attended a huge number of general shareholders’ meetings for many companies, either in the position of company chairman, president, director, auditor, advisor, or the like or as a shareholder (usually a major one). While not all of those meetings were recorded, there are official notes for 117 such meetings for 40 different companies that he did attend, accompanied by the statements made and/or the minutes taken.

#### **Case study of Hokkaido Coal Mine Railway**

From the many examples, let me introduce the case of Hokkaido Coal Mine Railway. This company was established in 1889 with the assistance of the government to manage the railway and coal-mining business on Japan’s northern island of Hokkaido. The management team of the company, the president and the directors, was chosen by the government. For that reason, standing advisors were appointed from among the large shareholders to serve as both representatives of the shareholders and counselors to the company. That was Shibusawa’s position in the company (*Biographical Materials* 1955–65, vol. 8).

Hokkaido Coal Mine Railway experienced chaos and confusion from the time of its establishment. As the president, Hori Motoi (1844–1912), was on bad terms with the Hokkaido Government Office, he was dismissed. The chaos continued, however, with the Hokkaido Government Office halting subsidized interest payments on account of a trifling matter. The suspension was only revoked in the end after negotiations with Shibusawa (*Biographical Materials* 1955–65, vol. 8).

The company’s fourth general shareholders’ meeting in 1892 was thrown into confusion as well. Because of illness, the company president, Takashima Kaemon (1832–1914), gave only an opening address, after which Shibusawa presided over the meeting in his place. At that point in time, Shibusawa was a large shareholder with 450 shares and a standing counselor.

Shareholders peppered the management with questions about the company’s poor business performance. The questions extended to fine points of man-

agement, including coal distribution channels and the situation with interest payments. As chair of the meeting, Shibusawa attempted to calm the floor by proposing to answer questions in a social-gathering format after the agenda of the meeting had been completed, but several shareholders wanted to continue raising questions from the floor, thus prolonging the meeting. After about two hours, decisions were finally made about reserve funds, executive compensation, and shareholder dividends (8% annually) (*Biographical Materials* 1955–65, vol. 8).

After the general shareholders' meeting, the social gathering was held for about two hours, at which the issue was raised of the president's ability, at his own discretion, to give traders the right to dispose of the differential between the mined output and the amount sold. Shibusawa's statement that it was a problem to be resolved in the future was met with some harsh comments that it was not enough to placate the people.

Commenting on Shibusawa's posture, the company's manager, Uemura Chōzaburō (1862–1941), said, "Indeed, during times of emergency, he assumes all the work on his own shoulders to rescue the company from its difficulties in a way that would be impossible for an average person. When I first learned of [the firmness of] his intention, I was surprised from the bottom of my heart and could not suppress my feelings of respect and admiration. Accordingly, I felt that anything could be accomplished if it were done relying on him" (*Biographical Materials* 1955–65, vol. 8). Uemura later became senior managing director of Sapporo Breweries and executive director of Dai-Nippon Beer. Also, at another general shareholders' meeting of the same company held at a different time, Uemura made this remark: "The meeting venue was in an uproar and impossible to manage, and the chairman, Takashima, couldn't do anything about it, so he made a request to Shibusawa. . . . Shibusawa proceeded with the agenda, explaining that there was not the slightest impropriety in the accounting, after which he swiftly won the approval of a majority [of those present], and the original proposal was passed" (*Biographical Materials* 1955–65, vol. 8).

### Major role in important voting

During this period, Hokkaido Coal Mine Railway was still unable to move beyond its inaugural stages, and its share price remained stagnant. To add to its woes, the company president became embroiled in scandals. The succeeding president was unable to cope with the shareholders' wrath either, so Shibusawa

stepped in. Despite being exposed to criticism, Shibusawa took time to discuss the problems and finally was able to dispel the mistrust.

From many cases, it is evident that Shibusawa, no matter whether his position was board chairman, auditor, advisor, or large shareholder, played a major role in important voting during general shareholders' meetings on such matters as the continuance or abolition of the company or its long-term direction, such as mergers with other firms. During the Meiji period general shareholders' meetings of Japanese companies, each run in fact by an extremely small number of managers, were frequently scenes of confusion, since there was a tendency for shareholder interests to conflict on a variety of levels—for example, central versus provincial, large versus small and medium-sized, and functional investors directly involved in management versus nonfunctional investors interested only in capital gains. It was absolutely necessary to have someone who could act as coordinator or mediator among the various types of shareholders on such issues as how to distribute profits or whether to opt for a merger or replace the management team in order to get the company back on its feet. Since the rights of large shareholders were limited at times, it was sometimes difficult to resolve issues simply through majority voting, making it even more necessary to have a coordinator.

There seems to have been some differences in the expectations of Shibusawa, and in his own approach, between cases in which he was a former director of the company and a current large shareholder and cases in which his position was closer to that of a third party, such as an advisor. In the former, he tended to cope with the situation by standing either on the side of the management or on the side of the shareholders, while in the latter he seems to have tended toward a more compromising standpoint half a step removed from both sides' interests and playing a coordinating role between them. In either case, though, people expected him to take a long-term perspective when resolving problems. In that respect, generally speaking, it was probably easier for him to come to agreement with large shareholders.

### **Coordinator and mediator**

In either case, people expected Shibusawa to take the initiative in resolving problems by serving as a coordinator, arbitrator, or mediator between two sides whose interests conflicted. As the composition of shareholders would change in the case of a company merger, a person like Shibusawa, who was deemed capa-

ble of making impartial judgments, would be entrusted to select the new management team. Moreover, in cases of internal company conflicts, Shibusawa would even be entrusted to choose the management team responsible for cleaning up the mess.

It was not only at general shareholders' meetings, the final phase of decision making, that Shibusawa carried out the functions of coordination and arbitration either. We can tell from looking at individual examples that he also fulfilled such a role at various gatherings before and after general shareholders' meetings. Still, as may be surmised, at general shareholders' meetings, where interests directly clashed, it was probably sometimes hard to coordinate the conflicting interests of shareholders with the need for management stability. Agreement was only possible with the presence of an entrepreneur like Shibusawa who, with his large investments, could also appreciate the merits and demerits for shareholders. Since the joint-stock company system was still in its infancy in Japan, there were few managers with much experience, so people tended to rely on the leadership of individuals like Shibusawa. At the same time, it was this accumulation of experience in mediation that nurtured the system and enhanced its stability.

## **6. Shibusawa's managerial techniques from the viewpoint of capital**

### **Investment mechanism**

From the aforementioned examples, we can glean that the source of Shibusawa's influence and leadership in establishing and maintaining companies was the fact that he was also a major shareholder in them with a certain level of investment. Consequently, since he did not come from an affiliation or family background of wealth, such as belonging to a zaibatsu family or being a big merchant or landowner, it is necessary to elucidate the mechanism of his investments, which seemed to have accelerated both in number and speed, in the establishment and development of so many companies.

As a matter of fact, it is virtually impossible to carefully investigate the financial standing of individual businesspeople, because materials relating to household management finances rarely appear in public. In Shibusawa's case, however, fortunately one can find several documents that approach such materials in nature. Documents left by Shibusawa's secretary have enabled us to

trace the Shibusawa family's cash flow over a year, and records of the Shibusawa family council meetings allow us to analyze the stock purchases and sales, as well as the capital borrowing and lending over a long period of 40 years. These are extremely valuable historical materials concerning the financial data of the Shibusawa family that have almost never been utilized before, allowing us, to a certain extent, to precisely reconstruct Shibusawa's financial standing as a successful businessman.

First of all, it is possible to analyze the household finances of the Shibusawa family for the single year of 1891, when Japan was in the midst of a short recession that arose in reaction to the sudden emergence of modern industry, which was the general trend of the times. Indeed, the following year of 1892 saw a return to the trend of establishing new companies.

The following points can be gleaned from the materials:

- The finances of the Shibusawa family were managed on the basis of codified regulations and were regularly reported to the family council, which was composed of Shibusawa, his children, and their spouses.
- The finances of the Shibusawa family were strictly managed according to a budget, and the budget was adhered to very strictly most of the time.
- The records of the Shibusawa family finances were kept in two ways: a profit-and-loss balance sheet and a chart showing asset appreciation and depreciation. The Shibusawa family covered its expenses through the profit-and-loss balance sheet, based on stock dividends and the like, with asset management basically carried out independently from that.
- More than 60% of Shibusawa's income came from dividends and the like stemming from companies in which he held shares, with the income from the companies where he held posts accounting for only around 10% of the total.
- The Shibusawa family spent less than 20% of its total income on living and maintenance expenses, with the rest going into a joint reserve fund and dividends to each family on the basis of specific stipulations.
- As far as the year 1891 is concerned, the family's investments in so-called anonymous partnerships (*tokumei kumiai*) exceeded those in joint-stock corporations, with lending to individuals at a high level approaching the amount of investments.
- One can surmise that the appreciation or depreciation in assets was con-

sciously kept in balance over the single fiscal year. In other words, the acquisition and sale of stocks were always maintained at almost the same amount, as was the repayment of funds lent to individuals and the amount of new lending.

As seen above, Shibusawa's family finances and the direction of his asset management differ considerably from those of postwar Japanese entrepreneurs. In general, Meiji-period managers were large shareholders who concurrently served as company directors, making them investor-managers, and Shibusawa belonged to that class as well. Additionally, the bulk of the Shibusawa family budget was supported by stock-dividend income, with almost no income coming from salaries for the company posts he held. Although it has long been known that the high-dividend policies of Meiji-period companies were responsible for the capital formation by capitalists at that time, almost no attention has been given to date to how little Shibusawa earned at the same time from his executive posts at various corporations.

One conclusion that might be made is that business executives in the Meiji period assumed responsibility for managing many companies without receiving much compensation at all on account of noneconomic factors, such as a sense of their own mission or patriotism. Another interpretation is that if the companies ended up running smoothly thanks to the executives' own abilities and resources, then they could expect to receive a reward as company managers in the form of high dividends and high stock prices for their stock portfolios.

### The structure of "high-risk, high-return" investment

Another important point is that Shibusawa's asset management was essentially based on a balancing of the appreciation or depreciation of those assets, primarily through the sale of stocks that he owned. The stocks that he sold included many in companies in which he was deeply involved, such as the First National Bank, the Bank of Japan, Asano Cement, Iwaki Coal Mine, and Oji Paper. As these stocks included preferential stocks that were not sold by the individual, there were many that were almost never traded.

Of course, even in the profit-and-loss balance sheet, Shibusawa retained most of the profit portion of the original capital whose assets were being managed, including the incorporation of investment earnings, the joint reserve fund, and profit allocation, to himself. During the pioneering stages of modern

industry in Japan, however, such profits were absolutely necessary for Shibusawa to hold in reserve for investments in companies whose business activities had unknown or high levels of risk and to actively lend large amounts of capital to individuals at a time when financial institutions were reluctant to do so. Quite a few firms during this period were forced into dissolution, and in such cases, the joint reserve fund was used for repayment.

The above analysis of the household finances and asset movements that underpinned Shibusawa's investment activities demonstrates a structure in which high-risk investments in enterprises during the pioneering stages of the rise of many companies in Japan were realizable precisely because of the high return guaranteed by such high dividends.

### **Investments in various types of companies**

It is also possible to analyze Shibusawa's investments and movements of capital over the long term, that is, the 40-year period from 1891 until his death in 1931, by looking at the records of Shibusawa family council meetings. The Shibusawa family council meetings were held regularly every month from September 1889 with the aim of overseeing the family's assets and annual income and expenditure. In a narrower sense, the council undertook the asset management of the Shibusawa family. Although a separate Shibusawa family joint-stock corporation was set up in 1915, the family council continued to exist. The bulk of the records deal with the movement of capital, including stock underwriting and trading, as well as the lending and borrowing of money. While almost no citation is made of executive compensation or income derived from dividends on stock holdings, quite frequent mentions are made of the movement of family assets, temporary expenditures, and the like.

Let us first look at the type of companies in which Shibusawa invested. Although the image has been built up of Shibusawa as the person instrumental in getting joint-stock corporation to take root in Japan, epitomized by his continual advocacy of joint-stock capitalism, actually he invested in a variety of company types, including the unfamiliar anonymous, or silent, partnerships. This goes against the usual image of Shibusawa as the proponent and fosterer of joint-stock corporations. For instance, in contrast to the sum of around 140,000 yen subscribed in stocks in new joint-stock corporations in 1897, in the same year he invested a much larger amount, more than 230,000 yen, in limited-partnership companies. This fact reflects the overlapping of large sums that he

invested in that year in limited-partnership businesses owned by Asano Sōichirō (1848–1930), with whom he maintained deep relations, specifically Asano Cement and Fujiwara Coal Mine, as well as Tokachi Land Reclamation, a limited-partnership firm promoted by his cousin Shibusawa Kisaku (originally Seiichirō) (1838–1912).

From around 1900 to 1910 approximately one-third of the total amount of annual stock purchases and investments by Shibusawa was accounted for by entities other than joint-stock corporations. Such formats other than joint-stock corporations were mostly personal enterprises like Sakura-gumi of Nishimura Katsuzō (1837–1907) and Seki Daisan Yōgyojō of Seki Masayuki (dates unknown). Sakura-gumi was set up to make shoes for the military, while Seki Daisan was involved in fish farming. Shibusawa also invested in some adventurous enterprises as a member of an anonymous partnership, such as the Aoki Gyoryō-gumi, set up in 1894 by Aoki Takashi (dates unknown) to hunt for fur seals in Hokkaido. Over approximately one decade, Shibusawa spent more than 18,000 yen (in the currency of that time) in funds on such enterprises and lost more than 7,000 yen (Sakatani 1900).

The two formats of collective company (*gōmei gaisha*) and limited partnership (*gōshi gaisha*) are relatively well known, but that of the anonymous partnership (*tokumei kumiai*) might not be so familiar. Anonymous partnerships are a kind of joint venture composed of “powerless” members with limited responsibility (that is, their aim is solely investment), along with proprietors and the company management. In that sense, they resemble limited partnerships, but only the proprietors appear as the subjects of rights and responsibilities to the outside world. The investors in the partnership remain invisible (“anonymous”). Such anonymous partnerships were hitherto introduced as a primitive form of corporate organization in the Edo period as a sort of *commenda* (the system of joint investment utilized in Mediterranean trade in medieval Italy). Judging from the countless cases that Shibusawa was involved in, however, such partnerships were often used in the Meiji period as part of a set or package with collective companies. When people invested in enterprises adopting the collective company format in high-risk businesses, such as mining, agriculture, and fisheries, since directly investing in the enterprise would involve unlimited liability, investors would also conclude an anonymous partnership contract and thereby ensure limited liability.

In this way, while advocating the joint-stock corporation format for compa-

nies with a high level of public utility and requiring large amounts of capital, Shibusawa limited investment risks by also utilizing limited partnerships for high-risk, high-return situations, collective companies for small-scale personal businesses, and, in combination with those, anonymous partnerships. He did not consider joint-stock corporations to be the only vessel for implementing businesses but instead selected the format of organization according to scale and purpose. In particular, his combination of collective companies, which were essentially small-scale personal enterprises, with anonymous partnerships as a way to make external investment easier is a fact deserving more attention.

### **Inflow and outflow of stocks and capital**

Regarding Shibusawa's sale of shares, the 40 years of records kept from 1891 to 1931 reveals a list of companies with which he was deeply involved, having served as their chairman or director: Asano Cement in first place at 37,586 shares, followed by the First National Bank at 16,976 shares. The top 10 companies in the list also include Dai-Nippon Beer, Tokyo Gas, Oji Paper, Iwaki Coal Mine, and Dainippon Artificial Fertilizer. One can also see that at the time when Shibusawa sold shares, in many cases they were not being traded on the Tokyo Stock Exchange. At that time there was more stock trading being done over the counter at stock brokerages outside stock exchanges than on the floor of the exchanges themselves. Deft utilization of the over-the-counter market, which had more shares available and served as a healthier investment market than the trading on the exchange floor, which tended to be speculative, enabled share sales to be carried out at more reliable prices without being influenced by speculation. To obtain the capital to make new share investments under steady conditions, Shibusawa utilized the over-the-counter market to actively make sales of shares, even in companies where he was listed as a director. Indeed, his shareholding ratio of the First National Bank, where he served as president, kept on falling continuously, having started at 11.6% in 1898 but then declining to 10.6% in 1902 and finally to 7.6% in 1907. Rather than intensifying his control over companies that he had already established, Shibusawa preferred to transfer part of his holdings in them to create capital for the creation of companies in new domains. These included companies aimed at suburban development in the Tokyo area, such as Denentoshi Co. and Meguro Kamata Railways, as well as electrical machinery, such as Oki Electric Works.

Next, let us consider the inflow and outflow of various types of shares and capital aside from Shibusawa's underwriting of shares, investments in various businesses, and sales of shares that he possessed. Shibusawa established a credit line of 20,000 yen with the First National Bank in a "regular borrowing" account. Anything above that amount had to be strictly collateralized, with the purpose of the borrowing clearly stated. The total amount that he borrowed from the First National Bank over the years amounted to a staggering 1,226,000 yen. Slightly less than one-third of that sum, 355,000 yen, was related to the Asano mining business.

The capital needed for enterprises was not limited to that used during the time of company establishment or for the increased capital needed for large-scale investments. It also naturally included the demand for capital that could not be met by raising additional capital from shareholders, such as raising emergency working capital and making necessary additional unplanned investments owing to the occurrence of unanticipated events. Since it was generally difficult to procure funds at low interest, Shibusawa occasionally had to lend money directly. He would provide capital and credit in various forms, such as lending out the shares that would serve as collateral for borrowing from financial institutions or serving as the joint guarantor of loans. Nonetheless, much of the capital that he provided in such a way was irretrievable.

### **Support through the use of personal assets**

Let me introduce one example here. There was an indigo production company established in 1888 with the purpose of cultivating domestic indigo in the Ogasawara Islands to the south of Tokyo and then marketing the products nationwide. In the Edo period indigo had been widely produced in southwestern Japan, especially on the island of Shikoku, and in the area around Shibusawa's hometown, but the domestic industry had reeled since the start of the Meiji period in the face of imported indigo. The intent was to revive the domestic industry, but indigo cultivation did not suit the climate and terrain of Ogasawara, so the company was dissolved in August 1892 (Sakatani 1900). Shibusawa's losses at that time amounted to 2,808 yen. Having failed to launch a domestic business that could compete with imported indigo, Shibusawa turned to the import of Indian indigo on his own through Aoki Naoharu (dates unknown). In March 1895 he bought 85,000 yen worth of Indian indigo, importing and marketing it. In October of the same year Aoki & Co. was set up for the

full-fledged launch of the business of importing and marketing indigo. Shibusawa lent 40,000 yen in capital for the company's establishment and served as the guarantor for Aoki's borrowing of an additional 25,000 yen from the Yokohama Specie Bank (which became the Bank of Tokyo in 1946). The project did not go well, however, and the company was dissolved in December 1896. There are no precise records of how much Shibusawa lost on this project, but it must have been an enormous sum.

In addition to his investments in shares and the like, Shibusawa also provided working capital and a variety of capital and credit for unanticipated purposes to businesses that would have been difficult for them to procure from financial institutions or stock exchanges. During the middle years of the Meiji period, when launching new businesses was still an unstable and uncertain affair, Shibusawa, in an effort to achieve stability from a long-term perspective, was generous in assisting them by using a considerable portion of his personal assets.



## Chapter 3

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### Shibusawa's Personal Network



Members of the Shibusawa family, 1901 (Eiichi in middle of back row)

Even though a circulation system for capital existed, clearly it would have been impossible for Shibusawa to have founded and managed such a huge number of companies without the cooperation of a lot of people. Rather than establishing a series of new companies under the umbrella of the same organization, in the manner of a zaibatsu, Shibusawa enlisted the services of many investors to do so. He was not able to foster company leaders organizationally. So what sort of relationship did he have with the executive directors and managers involved in the management of so many companies? What kind of business-related activities did he carry out in order to keep a constant eye on them? And what sort of people constituted the core of that support? The level of assistance given to Shibusawa by the husbands of his two daughters—Hozumi Nobushige and Sakatani Yoshirō, both members of Japan's elite—was immeasurable. This chapter focuses on Shibusawa's personal network, including his family, and the way that network functioned, so as to reflect upon his activities as an entrepreneur.

## 1. Creation of a compact business space

### Shibusawa's daily routine

Shibusawa was at the peak of his activities as a businessman during the 1900s. Let us take a look at the diary record of his actions for a single day in that period.

Cloudy day. Finish breakfast at 8:00 a.m. Go to the Kabuto-chō office. Many visitors. At 11:00 a.m., attend the Ganetsu Railway executive board meeting to discuss important matters. At 1:00 p.m., attend the Japan Railways executive board meeting. Shortly after 4:00 p.m., go to the Bank Club to attend a general meeting. After making the term-end report, board members are elected. Starting at 7:00 p.m., hold a dinner party at the club with Sonoda, Toyokawa, Ikeda, and Hatano, along with Nakai Hōnan, Misaki Kamenosuke, et al., from the [Yokohama] Specie Bank as guests. Make a speech at the dinner table. Return to the Ōji villa at 11:00 p.m. (January 24, 1902). (*Biographical Materials* 1966–71, Supplement vol. 1)

His schedule did not differ so much from that of modern executives, conferring with many people from morning until late at night and moving himself speed-



The Shibusawa house in Kabuto-chō (built in 1888). It was used as an office after Shibusawa moved to the family's new residence in Asukayama.

ily between venues to attend a myriad of meetings. Indeed, his daily schedule of activities as an executive could fittingly be described as plain hard work.

Let us make a more detailed inspection of Shibusawa's daily routine. The great majority of his time spent as an executive was taken up by face-to-face meetings, speaking directly to people. Such meetings can be classified into those in which people paid a visit to him and vice versa. In 1888 he constructed a Western-style building in the Venetian Gothic style along a canal in the Kabuto-chō district of Nihombashi in Tokyo and initially used it both as a residence and office. In 1900 he transferred his residence to Asukayama in Ōji (also in Tokyo), after which he came to use the Kabuto-chō building solely as his office, commuting there every working day.

### **Multipurpose office**

Shibusawa used his Kabuto-chō office thoroughly for a wide range of purposes. First, the senior managing directors and managers of those companies in which he served as chairman or president would pay a visit to him there to give ordinary daily reports and consult on important matters at hand. For example, incessant visits were made there by such men as Moroi Tsunehi, director and manager of Japan Brick Manufacturing, Tani Keizō and Takeda Masatomo, senior managing director and manager, respectively, of Tokyo Artificial Fertilizer (Takeda later became senior managing director), and Umeura Seiichi, senior

managing director of Tokyo Ishikawajima Shipyard, in order to give activity reports and consult on important matters.

Moreover, Shibusawa's office was the venue for the executive board meetings and other gatherings of various companies. Typical examples included the executive board meetings of such companies as Tokyo Artificial Fertilizer, Tokyo Hat, and Tokyo Ishikawajima Shipyard. The headquarters of those firms, in fact, were not far from Shibusawa's base in Kabuto-chō, lying some five or six kilometers from that district, which suggests that top priority was probably given to fitting meetings into Shibusawa's tight schedule.

### Minute-by-minute schedule

In order to carry out such face-to-face meetings and conferences with so many people about a multitude of matters and adhere to his minute-by-minute schedule, Shibusawa adopted a method of staying in his office whenever possible and greeting people there rather than traveling to see them at their offices.

Another site that Shibusawa used as a base for his activities was the First National Bank, the name of which was changed to the First Bank (Daiichi Ginkō) in 1896. The bank's headquarters were literally right in front of Shibusawa's Kabuto-chō office, and a look at his diary shows that he dropped in to the bank without fail almost every day when he was in Tokyo. Normally, he would complete face-to-face meetings with visitors in the morning, after which he would go to visit the bank around noon. His diary contained such entries as "check on the office work," "check on the activities," "hold a meeting of the board of executives and take a vote," "meet with Mr. Sasaki" (referring to the bank's manager Sasaki Yūnosuke), which suggests that he made particularly meticulous checks of the bank's operations. This is another clear indication of the central presence of the bank in Shibusawa's business life.

Naturally, Shibusawa quite frequently made the rounds of various places himself too. In particular, he would visit politicians and bureaucrats in governmental ministries and agencies and also often make trips to the headquarters of other companies that he was dealing with to meet their boards of executives.

What kind of transportation did Shibusawa use when he made such visits? His main means of transport over short distances during the first half of the Meiji period (1868 to around 1890) was the rickshaw, and he later rode in an exclusive horse-drawn carriage that he owned. Starting around 1907, he began to ride in automobiles. Be it horse-drawn carriage or automobile, riding in such



Shibusawa's beloved car (postcard ca. 1908–12)

vehicles for personal use was rare at that time, so it can be said that Shibusawa was extremely quick to make use of them. This alacrity indicates how much emphasis he placed on holding direct face-to-face meetings and how he tried to travel as efficiently as possible amid his hectic schedule.

For longer distances, Shibusawa would use public transportation. For example, the May 21, 1901, entry in his diary, describing his return home to Ōji from his office in Kabuto-chō, says, “At 9:00 p.m. go to Ueno via horse-drawn streetcar and take the 10:00 p.m. train back home to the Ōji villa.” He would thus go back and forth between his home and office using a horse-drawn streetcar, the tracks of which were laid down on main roads, transferring at Ueno to Japan Railways, which had its terminus there. Shibusawa often attended evening banquets, returning home quite late every day. The advance of public means of transport enabled him to commute from his home in Ōji to his office and make the most of his time to efficiently conduct his business affairs.

In addition, although his daily activities primarily took place in Tokyo, Shibusawa would frequently travel to regions away from the capital for such purposes as inspecting factories and attending opening ceremonies. In such cases, he almost always traveled by train. For example, in July 1899 he made a business trip to Osaka to attend the opening ceremony of Train Manufacturing Limited Partnership, and he took advantage of that trip to carry out various other activities too. First of all, he used the train ride to exchange opinions with fellow passengers Imamura Seinosuke, Kawakami Kin'ichi, Inoue Kaoru, and other businessmen and politicians, recording in his diary that “the onboard

discussion was extremely lively.” While in Osaka, he also visited such places as the Osaka Branch of the First Bank, Osaka Spinning Company, Japan Sugar, and the Osaka branch of the Bank of Japan, meeting various people, exchanging opinions with them, and conferring about matters at hand (*Biographical Materials* 1966–71, Supplement vol. 1).

### Utilizing the post, telegraph, and telephone

While primarily conducting face-to-face meetings, Shibusawa augmented his business activities by combining those meetings with various new means of communication, namely, the post, telegraph, and telephone.

First, to cite an example of his use of the post, the following was written in a letter that he sent on February 25, 1902, to Moroi Tsunehei: “Looking over the items for discussion received yesterday, I have no objection to giving company employees the right to get half of the increased amount in shares, but I think that it would be better to let the directors’ meeting decide upon the way they are divvied up. If everyone wants a cut and harmful effects result from the competition therein, unfairness may arise from the way they are divided. Please think about the matter once again carefully” (*Biographical Materials* 1955–65, vol. 11). That statement is believed to be Shibusawa’s response to Moroi’s advance report to him about a matter up for review by the board of directors, asking for his approval.

Shibusawa served as chairman of the board of Japan Brick Manufacturing from 1894, but the actual day-to-day management of the company was performed by Moroi, its manager. There is no evidence in Shibusawa’s diary that he regularly attended board meetings of that company, but Moroi frequently visited his office in Kabuto-chō to give operational reports. Moreover, as introduced above, Moroi would report to Shibusawa on matters at hand via the post, with Shibusawa communicating his thoughts via return mail.

Shibusawa was also an active user of the telegraph and telephone. A check of the companies that he was involved in shows that as of 1895, 7 of the 15 companies in Tokyo where he served on the board had telephone lines connected, namely, the First National Bank, Japan Railways, NYK, Tokyo Gas, Tokyo Rope, Tokyo Hat, and Tokio Marine Insurance.

Shibusawa made use of the telephone as an auxiliary supplement to his face-to-face meetings. As he carried out various business activities simultaneously based on a minute-by-minute, densely packed schedule, he frequently

had to make alterations to it owing to unforeseen delays in his plans. In such an event, he needed to inform the other side of changes in appointment times, and he employed the telephone for that purpose as an extremely effective means of communication.

## 2. Management activities supported by a wide variety of personnel

### Cooperation with a broad range of people

At the peak of his business career, around 1907, Shibusawa was director or president of approximately 30 companies. To execute the managerial responsibilities for such a large number of companies individually, he installed, as a matter of course, a set of businessmen in full-time positions as the senior managing directors and managers of those firms. These personnel may be described as “peripheral managers” who served as his proxies. This section will introduce those men's relations with Shibusawa and the nature of the roles that they played in supporting his hectic business life. To learn more about that, I drew up a list of all the directors of the 49 companies in which Shibusawa held a post (derived from separate lists for 1893, 1898, 1902, and 1907) and made an analysis of their involvement.

In the 49 companies, a total of 269 men served in executive posts, such as directors and auditors. Of them, 8 had overlapping duties as executives in four companies or more, 18 in three companies, 29 in two, and the other 214 in just one. The fact that 80% of the executives of companies in which Shibusawa was involved were connected with him only through a single company demonstrates the extent of the personnel resources who cooperated with him in corporate management. While the 49 companies in which he was involved were mainly based in Tokyo, their operations were also spread across 12 prefectures throughout Japan in a diverse range of industrial categories, showing that the breadth was not merely limited to just a specific type of businessman or manager.

Those businessmen and managers whose names frequently appeared in companies in which Shibusawa had executive posts included the following, in decreasing numerical order: Asano Sōichirō (1848–1930) and Ōkura Kihachirō (1837–1928), both at 11 companies; Makoshi Kyōhei (1844–1933) and Masuda Katsunori (1852–1903), both at seven companies; Saionji Kinnaru (1835–1904)

and Uemura Chōzaburō, both at six companies; Shibusawa Kisaku (1838–1912) at five companies; Umeura Seiichi and Shōda Heigorō, both at four companies; and Horie Sukeyasu and Masuda Takashi (1848–1938), both at three companies. Besides those businessmen and managers, another pattern that emerges was the involvement in multiple companies by several men who held executive posts at the First Bank, where Shibusawa was president, such as Kusaka Yoshio and Sudō Tokiichirō.

The businessmen and managers who supported Shibusawa can be broadly divided into two types: those who made large investments in a company as investment partners with him and those who dealt exclusively with the actual management of individual firms.

#### Ōkura Kihachirō and Asano Sōichirō

Let us first examine Shibusawa's investment partners. The men who topped the aforementioned list of the number of Shibusawa companies they were associated with—Ōkura Kihachirō and Asano Sōichirō—belong to that type. Ōkura did not serve as president or senior managing director for any of the companies in which Shibusawa was involved, but one characteristic is that he served as director for six companies and auditor for as many as four. Rather than a management partner, he appears to have been more of an investment partner with large shareholdings, including those in businesses carried out jointly for the development of Hokkaido.

Asano, meanwhile, held executive posts at seven of the companies where Shibusawa also served as director or in similar positions, including Tokyo Gas and Iwaki Coal Mine. Asano was an important business partner and collaborator in Shibusawa's businesses, with the highest number of executive posts in overlapping companies. Shibusawa and Asano first established a relationship around 1890, judging from the stocks they owned and their mutual investment relations. For example, Shibusawa purchased 1,873 shares in Iwaki Coal Mine in 1893 for a total sum of 93,650 yen and invested 100,000 yen in Asano Cement in 1897, making him a fairly big investor in those two firms. Shibusawa later agreed to invest in several of Asano's enterprises. In 1899 he invested 125,000 yen in Asano Mining and 50,000 yen in Asano Well Drilling, both anonymous partnerships.

Although Shibusawa continued to support Asano's businesses thereafter, the investments that he made included risk-aversion schemes, such as lending

Asano the collateral shares necessary to get a loan of 170,000 yen from a bank. From Asano's viewpoint, getting various types of capital and credit support from Shibusawa—investment, borrowing, the lending of shares as collateral, and co-guarantor of loans—was an indispensable means without which he could not have carried out various enterprises. It is also clear that Shibusawa's acceptance of the long-term nature of that burden enabled Asano to engage in vigorous business activities.

### The two Masuda brothers and Makoshi Kyōhei

Other similar investment partners included the two Masuda brothers—Takashi (1848–1938) and Katsunori—along with such men as Makoshi Kyōhei and Horie Sukeyasu (agent of the Hachisuka family, a former daimyo clan). As can be understood from the fact that Masuda Takashi was president of Mitsui & Co. at the time of its founding and had served as consultant to Mitsui, he played a central role in the founding of Mitsui & Co. and is well known for having steered the entire Mitsui zaibatsu. Initially scouted by Senior Vice-Minister of Finance Inoue Kaoru, Masuda entered the Finance Ministry, where he got to know Shibusawa. Both men supported Inoue in his internal bureaucratic fight, and after Inoue lost that fight, they left the government and entered the business world. Masuda joined a company that was founded primarily by Inoue, serving as its vice-president. Mitsui & Co. was established upon taking over Inoue's company's activities, with Masuda joining it at the same time. Despite the image of Masuda as a leader of the Mitsui zaibatsu, however, he was also deeply connected to Shibusawa's businesses in which Mitsui had not invested. Although Masuda was hired by Mitsui as a manager and is generally thought to have been on an equal footing with the Mitsui family, actually he also conducted his own business activities with Shibusawa and others as partners.

Masuda Katsunori, meanwhile, after participating in the battles of the late-Tokugawa years on the side of the shogunate, entered the Keiō Gijyū school (predecessor of Keio University) and then joined the Ministry of Justice, where he was mainly engaged in drawing up the legal ordinances for marine insurance. Later, in 1878, he was commissioned by Shibusawa to look into the establishment of a marine insurance company, and he took the position of manager in the firm that eventually became Tokio Marine Insurance. At that company, he effectively played a role equivalent to that of top executive. Although hardly ever mentioned, he also served as director or senior managing

director in a great number of Shibusawa-related companies, such as Meiji Life Insurance, Tokyo Hat, Kanegafuchi Spinning (Kanebo), Japan Brick Manufacturing, Oji Paper, and Tokyo Ishikawajima Shipyard, all of which were joint-stock companies, as well as such limited partnerships as Gyeongin Railway (Seoul–Inchon). His death in 1903 at the relatively young age of 51 is one of the reasons why his name is rarely mentioned anymore.

Makoshi Kyōhei, who hailed from Okayama Prefecture and had learned Confucian studies in his youth, entered Masuda's company thanks to his acquaintanceship with Masuda Takashi and was later tapped to become head of the Yokohama branch of Mitsui & Co. Although the nature of his first encounter with Shibusawa cannot be confirmed clearly, his name was listed as one of the promoters of Tokyo Artificial Fertilizer, the establishment of which was led by Shibusawa in 1887, suggesting that it was the connection with Masuda that had brought them together. His assumption of the post of auditor at Iwaki Coal Mine in 1890, in which he served until 1909, as well as his having become auditor at Tokyo Hat in 1893 (and chairman from 1910), among other posts, probably was made possible by his links with Masuda and Shibusawa.

Thereafter, owing to his connection with Mitsui & Co., Makoshi himself participated in the restructuring of the management of Japan Beer. After extensively rationalizing the business, he strove to expand the marketing of the company's products and was successful in bringing it back into the black after just one year. At Mitsui & Co., he served as a managing member in 1892 and as standing director of Mitsui Trading Gōmei Kaisha in 1893, smoothly moving up the career ladder. He resigned from Mitsui in 1896, however, because he wanted to pursue business outside of the Mitsui framework. While struggling in restructuring the beer company, he also became director of the Imperial Commercial Bank in 1898 and in the following year, through the good offices of Shibusawa and others, became the bank's president.

### Managers who served as Shibusawa's proxies

The other type of people in Shibusawa's personal network were those who served as his proxy management in their posts as senior managing directors or managers. A typical example was Uemura Chōzaburō. Beginning with Hokkaido Coal Mine Railway, he was given the responsibility of running Sapporo Breweries, Tokachi Land Reclamation, and other companies. Uemura achieved much recognition in particular through his work at Sapporo Breweries, which

was founded in 1887 by Shibusawa, Asano, Ōkura, and others after purchasing a state-owned beer brewery from the Hokkaido Development Commission. Uemura, who was working as auditor of Hokkaido Coal Mine Railway at the time, caught the eye of Shibusawa, Ōkura, and others when they were searching for someone who could actually lead the company on site in Hokkaido. He subsequently became the company's senior managing director in 1894.

As the effective president of Sapporo Breweries, Uemura truly brought his abilities into full play in his role, replacing foreign engineers and technicians with Japanese staff and setting up a branch plant in Tokyo, which started shipments in 1903. By 1905 the company was spectacularly producing more beer by volume than any other firm in the industry. Thereafter, Sapporo Breweries merged with Dai-Nippon Beer, with Makoshi serving as president and Uemura as standing director in a regime that lasted for 24 years.

Shibusawa's nephew Ōkawa Heizaburō (1860–1936) also corresponded to this type of person (that is, serving as Shibusawa's proxy management in the post of senior managing director or manager). As a relative of Shibusawa's, Ōkawa first became houseboy to the Shibusawa family and then became involved in Shoshi Kaisha (later to become Oji Paper) from its outset, assuming the position of senior managing director of Oji at the young age of 33. He was forced out of Oji after it was taken over by the Mitsui zaibatsu, but later he founded several other paper-manufacturing firms, including Fuji Paper, and in his glory days he even was known as the "king of paper companies."

Despite the strong impression of Ōkawa as having been a businessman who primarily worked in the papermaking industry throughout his career, he was involved in other industries as well. For instance, he served as an auditor of Sapporo Breweries from 1894, becoming its managing director in 1901, and he participated with Uemura in planning the extension of its business into Tokyo.

Also, in 1896, Ōkawa accompanied Asano Sōichirō, the primary founder of Toyo Shipping, on a journey to Europe and the United States to help negotiate rights for the shipping routes and vessels necessary for the company's launching. In 1909 he became vice-president of Toyo Shipping and worked hard to expand its business, handling negotiations over transferring the company handling its cargo shipment connections away from Union Pacific Railway, run by E.H. Harriman (1848–1909), to the Western Pacific Railroad of George Jay Gould I (1864–1923). Based on Ōkawa's judgment, contracts eventually were

concluded with both railway companies to allow cargo transfers between ships and railroad shipments. Such experiences and network of connections contributed immensely to Ōkawa's later success in business.

Umeura Seiichi was another example of the "Shibusawa proxy" type of company manager. Umeura was first employed in 1879 after getting to know Shibusawa while handling office work for the Tokyo Chamber of Commerce. He became manager of the Yokohama Associated Raw Silk Warehouse in 1881 and director-manager of Warehouse Finance in 1882. Companies with which Umeura had some relation thereafter included Tokyo Ishikawajima Shipyard, Hiroshima Hydroelectric Power, and Hokuetsu Oil, an Asano company. A majority of those firms were related to Shibusawa as well, and Umeura was one of the several managers who could be described as a right-hand man for Shibusawa. Umeura gained a reputation as being good at organizing office work and skilled at external negotiations. It was also written of him, "No matter from which direction he approached management planning, he understood the core essence of the business, improved company performance, and enhanced its standing. He was considered a great general of the business world" (Jitsugyō no Sekai 1936). Indeed, Umeura handled several prickly negotiations under Shibusawa's supervision, such as the sale of the Tokyo Ishikawajima Shipyard to Uraga Shipbuilding and the merger of Hokuetsu Oil with Hōden Oil.

### Managers of the First National Bank

What role did the managers of the First National Bank, which could be described as Shibusawa's core business, play in Shibusawa's business life? Originally Mitsui owned around half of the shares of the First National Bank, but those holdings were steadily sold off during the period in which Nakamigawa Hikojirō was at the company's helm. A few years after the bank's switch to ordinary bank status in 1896, most of those holdings had already been sold.

In the early part of the Meiji period (from 1868 to the mid-1880s), the relationship between Mitsui and Shibusawa followed a pattern in which Shibusawa first proposed many businesses and Mitsui subsequently funded them. By the middle years of the Meiji period (from the mid-1880s to the late 1890s), a clear distinction came to exist among the joint Shibusawa-Mitsui enterprises. It has been written, "Mitsui sold its shares in companies that had deep ties to Mitsui but were controlled by parties other than Mitsui, such as the First Bank, the Bank of Japan, Japan Railways, and Tone Canal. It then used that money to

purchase shares in such companies as Kanebo, Oji Paper, and Hokkaido Coal Mine Railway, putting them entirely under the Mitsui banner” (Mitsui Bank 1976; Oji Paper 1956).

Mitsui's influence in those firms also declined in management terms as well, with their directors coming to be composed of managers who were deeply connected to Shibusawa, such as Saionji Kinnaru, Sasaki Yūnosuke, Kumagaya Tatsutarō, Sudō Tokiichirō, and Kusaka Yoshio. Those executives came to be involved in companies with which Shibusawa was deeply connected, such as the Tokyo Savings Bank, Tokyo Ishikawajima Shipyard, Iwaki Coal Mine, Tokyo Gas, Osaka Gas, and the No. 20 Bank, as well as businesses on the Korean Peninsula that Shibusawa was leading, such as Kyongbu Railway (Seoul–Pusan) and Korea Industries. One can see that he had constructed a model of dispatching executives to client companies from the main bank.

### **3. Dispatch of management teams to new companies**

As shown by the above section, Shibusawa did not have any really trusted subordinates to whom he could leave everything. Rather, he handled the day-to-day business of the enormous number of companies himself by appointing managers whom he thought were just right for the job from among his sprawling personal network, regardless of their academic background or career experience. There were various types of manager with whom he worked, including imaginative men who were full of ideas, such as Asano, who made his name in the cement industry, and people who excelled in carrying out practical work and negotiations, such as Uemura of Sapporo Breweries.

#### **Composition of management teams**

Let us now attempt to draw up a model of the composition of management teams in companies to which Shibusawa was connected. First of all, Shibusawa would find someone to share the position of large shareholder with him in the firm, thus bringing them on board. Next, he would appoint a responsible, upright, and trustworthy person as senior managing director. Then he would scout universities for young technicians and engineers who had acquired new kinds of knowledge, sending them to Europe or the United States for a year or so before appointing them as chief technician or engineer. The management

team was completed by the appointment of accountant clerks. At times, personnel were also dispatched from Shibusawa's First Bank to act as monitors. While this model may be a little too ideal, Shibusawa did in fact implant sets of management teams of this sort in a series of companies. Sometimes those teams would incorporate executive managers hailing from the area in which they were located; at other times they would enlist managers from Mitsui, Mitsubishi, or the like. Probably Shibusawa's greatest strength, more than anything else, was his ability to appoint the right people—unfettered people who were not colored by any particular zaibatsu, academic clique, or educational background—to the right posts.

### **Emphasis on troubleshooting**

In order to manage so many companies seamlessly by collaborating and cooperating with so many people, Shibusawa had the senior managing directors or managers of the companies associated with him make frequent reports to him every day, at 30-minute intervals, about what was going on at the companies under their control. Those reports would contain warning signals about potential issues that could escalate into major crises unless nipped in the bud at an early stage. Although he left ordinary day-to-day management up to the people on site, Shibusawa moved swiftly and boldly whenever there was a hint of trouble occurring at the firms under his purview. In such cases, he would go to the necessary locations himself, devise emergency response measures and restructuring policies, and even stand in for the company president to chair tumultuous general shareholders' meetings until the issue at hand was resolved.

## **4. Fostering the next generation of managers through Ryūmonsha**

### **Launch of Ryūmonsha**

Shibusawa's business partners were mostly venture-type businessmen who were remarkable for their spirit of independence and ready to boldly take on new business challenges using their own wits and resources. How, then, did he find and foster the kind of mid-level management required in great numbers once these businesses expanded and grew, as well as the next generation of executive managers for these firms? This is where Ryūmonsha (literally, "Dragon Gate Society") comes in.

Founded in 1885, Ryūmonsha was originally an organization for the house-boys who were living and sleeping at the Shibusawa mansion in Fukagawa. Thereafter, it started publishing a journal and gradually became an educational organization aimed at the relatively young generation of mid-level managers for the “purpose of the study, discussion, and development of practical knowledge related to matters dealing with agriculture, commerce, and industry” (*Ryūmon zasshi* 1899, no.139).

Shibusawa's heir and eldest son, Shibusawa Tokuji, was appointed as the group's president, with Odaka Jirō, second son of Odaka Atsutada (Junchū) and senior managing director of Korea Industries, serving as director and Saitō Minesaburō and Matsumura Gosaburō as board members. After graduating from the Tokyo Higher Normal School, Saitō had entered the First National Bank in 1887, where he became head of the document section as well as Shibusawa's personal secretary. He became deputy manager of Tokio Marine Insurance in 1897 and later president of Saitō Bill Brokerage. In the 1894 edition of the Ryūmonsha journal, his name is listed alongside Shibusawa's heir and eldest son Tokuji's name in the New Year's greetings, suggesting that he had a leadership role among the company's employees (*Ryūmon zasshi* 1894, no. 68).

The management of Ryūmonsha was primarily handled by the following types of people: (1) those involved with the First Bank, including Sasaki Yūnosuke, the bank's manager from 1881 and president from 1916, Ichihara Morihiro, first president of the Korea Bank, Sasaki Kiyomaro, vice-manager of the marketing division at the First Bank's headquarters, and Ishii Kengo, president of the First Bank from 1931; (2) those related to the Shibusawa family, such as Sakatani Yoshirō, Hozumi Nobushige, and Yasojima Chikanori, as well as Hashimoto Meiroku of the Shibusawa family office; and (3) those from among Shibusawa's executive managerial ranks, such as Horikoshi Zenjūrō, head of Horikoshi Trading, Hoshino Shaku of Tokyo Printing, Shimizu Teikichi of the Shimizu Group, Moroi Tsunehei of Japan Brick Manufacturing, Fukushima Kashizō of Tokyo Gas, and Uemura Chōzaburō of Dai-Nippon Beer.

### Special and ordinary members of Ryūmonsha

The members of Ryūmonsha were divided into two types. The first, called special members, were qualified on account of their belonging to top management in their respective companies, such as company presidents, heads of stores, senior managing directors, standing directors, and directors. This category also

included a broad range of middle management, including those in management at company headquarters (general affairs, marketing, accounting, construction and engineering, and research), and included people in the positions of managers, department chiefs, section chiefs, and subsection chiefs. It also included those involved in the management of local company branches, such as branch managers, deputy managers, assistants, and small branch chiefs. The other category, ordinary members, consisted of general company employees, bank staff, and students and was primarily composed of young company employees who would later be promoted to the status of special member in their capacity as subsection chief or higher.

### **General meetings and monthly meetings**

Broadly speaking, Ryūmonsha held two types of meeting. The first, described as a “general assembly,” was a large event held twice a year, in the spring and fall, and which at its peak had more than 300 participants. The general assemblies took place at a different venue each time, such as a high-class Japanese-style restaurant, eating establishment, or beer factory, and the meeting was intertwined with elements of entertainment. The other kind of meeting, monthly meetings, involved smaller get-togethers that were held from the very outset of Ryūmonsha. According to records from circa 1890, around 60–80 people attended the monthly meetings each time, with speeches given by other members or by invited learned persons, based upon which the attendees would then exchange opinions with one other. In the decade of the 1900s, the lectures focused on such themes as the government’s economic policies or the economic and business situation in the West or in Korea, after which a relatively open and lively exchange of opinions would ensue.

### **Two frequent Ryūmonsha lecturers: Sakatani Yoshirō and Horikoshi Zenjūrō**

Two men who frequently lectured at Ryūmonsha meetings were Sakatani Yoshirō and Horikoshi Zenjūrō. Sakatani, Shibusawa’s son-in-law, had successively served as a bureaucrat, then minister, of the Finance Ministry and later became mayor of Tokyo. He held down a series of important posts in the ministry: he was chief budget examiner from 1897, concurrently served as director general from 1901, was promoted to vice-minister of finance in 1903, and finally served as finance minister from 1906 to 1908. As his lectures at Ryūmonsha were given precisely when he was rising through these important posts, it was

highly worthwhile for the members attending to be able to directly listen to statements made by this young and rising bureaucrat.

Horikoshi, meanwhile, gave a lecture on trade policy at the November 1906 general assembly. While discussing the economic policies of the West, he also asserted that it was time for Japan to adopt protective tariff policies. At the monthly meeting in December 1908, he spoke on the current economic situation and outlook in the United States, arguing that it was highly likely that the United States would expand toward the Pacific, and especially toward China, in terms of trade and that it was necessary to prepare for that development.

Horikoshi had graduated from the Tokyo School for Commercial Law (which later became the Tokyo School of Commerce, the predecessor of today's Hitotsubashi University) in 1883 and joined E.T. Mason & Co. of the United States, opening the Japan branch of that firm in 1886. In 1893 he established an anonymous partnership, known as Horikoshi Trading, for the direct export of silk materials abroad, having been introduced by Masuda Takashi to Shibusawa, who invested in the company along with Morimura Ichizaemon and others. The company later expanded its business to include such products as cotton cloth and other miscellaneous goods and started wholesale trading at local places. The company also set up branches or representative offices in New York, Chicago, London, Sydney, Melbourne, and Brisbane. When the business fell on hard times in 1896, Shibusawa helped it out by extending a loan. Yasojima Kijirō, the younger brother of Yasojima Chikanori, served as the company's manager and was a trader with intimate connections to Shibusawa.

### **An organization of education and enlightenment**

There is a strong image of Ryūmonsha as an institution aimed at disseminating the Confucian spirit seen in *Rongo to soroban* (The Analects and the Abacus), which Shibusawa later penned in 1916. But in the early twentieth century it also functioned as an organization of education and enlightenment for an extremely broad range of top and middle management and for the core members who would rise to such positions in the future. Moreover, not only did it include firms connected to Shibusawa via capital investment or executive positions, more broadly it encompassed companies that he had assisted in various ways.

Ryūmonsha also engaged several people in charge of the daily operation of organizations in the fields of social welfare and education that had some connection to Shibusawa, including Adachi Kenchū (or Noritada), director of the



Shibusawa speaking at his seventieth birthday party (reprinted from *Seien-sensei, omoitsuzukete 120-nen—Ryūmonsha no ayumi*, 1910)

Tōkyō Yōikuin welfare facilities); Asō Shōzō, dean and professor at Japan Women's University; Nishida Keishi, director of Tokyo Women's School; Hasunuma Monzō, director of the Shūyōdan character-building organization; and Niwa Seijirō, head of the Tokyo YMCA. All of them were important men from various organizations related to education, social welfare, character building, and morals with which Shibusawa had some ties. As well as government officials and bureaucrats, Ryūmonsha also attracted many people from a wide variety of professions, including college professors and instructors, physicians, writers, and lawyers.

## 5. Extended family

The last personal network to be introduced in this chapter is Shibusawa's extended family. What did Shibusawa think of his extended family, and how did he position his relatives?

### The scholarly Odaka Atsutada (Junchū)

Ever since the late-Tokugawa years from the 1850s to the Meiji Restoration in 1868, Shibusawa's main comrades from his hometown were Odaka Atsutada

(or Junchū) and Shibusawa Kisaku. Odaka had stayed in their home village after the plan to take over Takasaki Castle along with Shibusawa and Kisaku had been aborted. Though arrested temporarily, he was later released, after which he teamed up with Kisaku to join the battle on the shogunate side against the supporters of the Meiji Restoration. While strongly influenced by the “expel the barbarians” ideology, he seems to have supported the shogunate more because he was attracted to Yoshinobu, the last shogun, as a person and strongly wanted to clear Yoshinobu’s name. Having lost the battle against the restoration forces in what was to become Saitama Prefecture, Odaka was harbored by Shibasaki Kakujirō, who later served as secretary to the Shibusawa family, and thereby was able to return to the village.

When Shibusawa returned to Japan from France and went off to Shizuoka, Odaka followed and received a post in the Shizuoka domain, where he was put in charge of the encouragement of industry and development of agriculture. Also, after befriending Tamano Yofumi (1825–86), an official in the Ministry of Popular Affairs, he entered government service as an official in 1870, working as a contact person with the regions. Shortly thereafter, he was posted to Tomioka in Gunma Prefecture to become head of the new Tomioka Silk Mill set up by the government’s Bureau for the Encouragement of Agriculture. Until resigning from that post in 1876, he duly carried out everything from the mill’s construction to the start of its operation, also recruiting the female workers and transferring foreign technology. He even gave instruction about a method to increase the production of silk cocoons that provided the raw material for silk production. During that period, he was promoted in his post at the ministry as well. After that, though only briefly, he worked in the Tokyo government’s gas bureau and as the managing director of the Tōkyō Yōikuin welfare facilities, among other posts.

In 1877 Odaka joined the First National Bank at Shibusawa’s request, serving as the manager of its Morioka branch for 10 years, after which he moved to Sendai to become the branch manager there, a position that he held until 1892. For a while after it opened, this branch, located in Japan’s Tohoku region, enjoyed smooth development as it supported the establishment of companies related to agriculture, industry, and commerce, but its performance worsened after the economic depression of 1881. Because of the subsequent growth of regional banks and other factors, the Sendai branch was closed by the turn of the century. Odaka had already resigned from the First National Bank in 1893,

however, at the age of 63, whereupon he returned to his home village of Fukaya and spent his retirement years there.

As can be seen from the fact that Odaka left many written works related to agricultural matters, he can perhaps best be described as a scholarly person with roots in a farming village. Although Shibusawa had enlisted him out of trust in his abilities, he was not a natural executive-managerial type and during his years in Morioka made a few errors, such as extending loans without collateral and temporarily finding them irrecoverable.

### **Shibusawa Kisaku's appointments end in failure**

After Shibusawa left for France, his cousin Kisaku (known as Seiichirō before the Meiji period) rose up within the shogunate and fought against the Meiji Restoration forces in Edo, the Tohoku region, and Hokkaido. After getting captured and put in jail, he was given a special pardon in 1871 and released. Through Shibusawa's good offices he started working in the industrial encouragement section of the Finance Ministry and even won the opportunity to be dispatched abroad. Upon his return to Japan, Kisaku joined the Ono-gumi and later started working for himself, launching a rice wholesale firm in Fukagawa, as well as the Shibusawa Trading Store in Yokohama handling the wholesale trade of raw silk.

Kisaku frequently lost huge sums of money, however, first on the rice market in 1881 and from 1883 onward on the dollar exchange market, among others; he ended up with debts totaling 700,000 yen. On the condition that he transferred the business to his oldest son, Sakutarō, Shibusawa shouldered all of the debts, so Kisaku was able to straighten things out. Shibusawa later gave Kisaku, a great lover of speculation, numerous opportunities, letting him take part, for example, in the establishment of the Foreign Silver Trading Exchange in 1878 and the Yokohama Associated Raw Silk Storehouse in 1881. Additionally, Kisaku served as a management member during the founding of Tokyo Artificial Fertilizer, later becoming a director of the firm. He also jointly led the establishment of a company for indigo production in 1888 together with Shibusawa and was given such important posts as the person in charge of operations (in other words, president) of Tokachi Land Reclamation and director of the Tokyo Commodities Exchange.

Nevertheless, Kisaku once again ran up huge losses with Hokkaido Hemp Processing, which was established in 1894. According to the Shibusawa house-

hold management documents, the company, of which Kisaku was chairman, lost more than 80,000 yen. Partly because he did not want the public to find out about the debt because of Kisaku's being a blood relation, Shibusawa assumed official liability as an auditor of the company, shouldering 1,000 yen of the debt himself and arranging for 30,000 yen to be covered by Kisaku's Shibusawa Trading Store, 4,000 yen by Kisaku's son Sakutarō, 20,000 yen by Tanaka Gentarō, who took over Kisaku's properties in Hokkaido, and several thousand yen from Kisaku's bonus money for services rendered. In addition, a sum of 25,000 yen was borrowed from No. 3 Bank, with Kisaku's land and buildings in Shirogane in Tokyo used as collateral, and another loan for the same sum was obtained against the same property from No. 20 Bank. On the surface, those two loans were guaranteed by Odaka Kōgorō (dates unknown) and reattributed as loans to the First Bank, with Shibusawa agreeing to shoulder the debts should either Kisaku or Sakutarō be unable to repay them. Kisaku made a similar mistake when he was president of Tokachi Land Reclamation, another company in Hokkaido.

As epitomized by Kisaku's parting of ways with Shibusawa earlier in their lives, he was more of a get-rich-quick schemer than a rationalizer. For that reason, his rice business and the Shibusawa Trading Store in Yokohama both collapsed at a relatively early stage. Besides those failures, he was unable to skillfully lead the various enterprises that Shibusawa fixed up for him. Kisaku died in 1912 at the age of 75.

### **Others supporting the Shibusawa family from the periphery**

Although Shibusawa had hoped that Odaka, his cousin Kisaku, and others from his hometown would play a role in the launching of the banking business and various modern manufacturing industries, it is fair to say that they did not fully live up to his expectations. Both Odaka and Kisaku failed in their respective businesses and then returned to their respective home villages to retire, gradually losing their connections to Shibusawa.

As for other friends and relatives from the same hometown, there were some familiar people who, like Shibusawa, successfully rode out the rough waves of the Meiji Restoration and who Shibusawa later relied upon and sometimes promoted. Besides Odaka Jirō (1866–1920) and Shibasaki Kakujirō, both of whom served in secretary-like roles, Shibusawa appointed some people from the same area and his relatives, such as Ōkawa Heizaburō and Ishii (birth sur-

name Momoi) Kengo, in peripheral executive manager positions in various businesses. However, such appointments were nothing more than support roles to bolster the Shibusawa family and its surroundings.

## 6. Creation of a “new Shibusawa family”

Given the countless vicissitudes in his connections with his relatives, Shibusawa began to treat the ties with his own children, living with him in Tokyo, as his “family.” When each of them reached marriageable age and started their own families, he came to view them anew in an organizational, systematic fashion, laying down a “family law” and then coming to manage the family accordingly. His way of thinking was somewhat unique in that respect. While he married his daughters off to elite members of the next generation, Shibusawa also simultaneously received advice from his sons-in-law in areas that he was not strong in, making them members of the “new Shibusawa family” who became involved in his economic and social activities.

### Oldest daughter Utako’s marriage to Hozumi Nobushige

The man to whom Shibusawa’s eldest daughter, Utako, was married in 1882 was Hozumi Nobushige. Born in Uwajima on the island of Shikoku in 1855 to an upper-level domain retainer (samurai) family, Hozumi studied Japanese and Chinese classical literature at the domain school. After the Meiji Restoration in 1868, he was selected by the domain to receive a scholarship to enter the government school that was the predecessor of the University of Tokyo and studied law there. (The University of Tokyo was renamed the Imperial University in 1886 and then Tokyo Imperial University in 1897.) In 1876 he was chosen to be part of the second group of students sent abroad by the Japanese Ministry of Education, going to Britain and Germany for a period of some five years. Returning to Japan in 1881, he joined the law department of the University of Tokyo, becoming a professor and law department head the following year at a mere 27 years of age.

The marriage of Utako (born in 1863) to Hozumi seems to have been brokered by Saionji Kinnaru, who was a director of the First National Bank as well as the steward of the former lord of the Uwajima domain, Date Munenari (1818–92). Shibusawa’s choice of Hozumi as the man whom his oldest daughter

would marry was an attempt to “establish a new family” apart from the personal relations of his hometown. The arranged marriage was also one that Date and Saionji, both hailing from Uwajima, wanted to see realized by all means. In his eulogy for Hozumi, Shibusawa, who died five years after his son-in-law, said, “Partly on account of the fact that Utako was my oldest daughter, I thought he could act as an advisor for my family, . . . so I had her marry him in order to bring him into the family, thinking that we would be able to help each other out” (*Ryūmon zasshi* 1926, no. 452). Clearly Shibusawa had hoped that Hozumi would act as his counsel.

Hozumi returned to Japan from his overseas studies in June 1881, and in the latter part of August of the same year he had a formal introductory meeting with Utako. Betrothal gifts were exchanged the same November, and on April 25, 1882, a formal banquet was held celebrating the marriage. The official go-between at the banquet was Kojima Korekata (1837–1908), also from Uwajima and a much senior colleague of Hozumi's in the judicial world. (Kojima later became chief of the *Daishin'in* [Great Court of Cassation], the predecessor of the present Supreme Court.) Only around 50 persons attended the banquet, including such guests of honor as Katō Hiroyuki (1836–1916), president of the University of Tokyo, and Ōkura Kihachirō and Furukawa Ichibei (1832–1903) from the business world, along with family members and persons involved with the First National Bank. Although it would not have been unusual for the banquet to have been more broadly attended by people from political and business circles, the banquet was restricted to those whose connections with the couple were relatively close.

### A pioneer in Japanese civil law

Although Utako married into the Hozumi family, the new couple lived in Shibusawa's mansion in Fukagawa. Utako herself said, “It's just like adopting the groom” (Hozumi 2009). As a pioneering Japanese lawyer, Hozumi had already assumed a position at Tokyo Imperial University with an exceedingly high salary, and the marriage meant that additionally he could count on the economic support of the Shibusawa family, so it was an ideal arrangement for him. For Shibusawa, the marriage of his oldest daughter to a legal expert, especially one in the field of civil law, was highly meaningful. At the same time, though, while receiving economic support from Shibusawa, Hozumi had to take on substantial duties. He cooperated in the numerous social activities in



Mr. and Mrs. Hozumi, with Shibusawa's oldest son Tokuji, 1885  
 (left to right: Shibusawa's oldest daughter Hozumi Utako, unidentified  
 person, Shibusawa's second daughter Kotoko, Shibusawa Tokuji,  
 Hozumi Nobushige)

which Shibusawa was involved, and he had to play the role of virtual “oldest son” in Shibusawa’s extended family. In this role, he had to deal with a number of troublesome incidents, including taking Shibusawa’s biological oldest son, Tokuji, into the Hozumi family at the age of 16 to raise him.

During this period some major changes occurred in the Shibusawa family network. In 1882 Eiichi’s first wife, Chiyo (1841–82), died of illness at the young age of 41. The next year, 1883, Shibusawa married his second wife, Kaneko. In Shibusawa’s own words, “In the year of [Utako’s] marriage to Hozumi, my first wife died. I had to marry another woman, but a natural result of that would be a situation where half-brothers and half-sisters would be born from a different mother, which could easily lead to problems.” After consulting with Hozumi, he went on, “I came to lay down a law according to which my family would be considered as the head family and all others affiliate families, and my children would be treated equally in their lives as much as possible, allowing them to freely do as they wish, whether that might be starting a business trading products or becoming a scholar, without constraints or complaints in their individual chosen paths of livelihood, based on respect for each other’s humanity and an emphasis on morals” (*Ryūmon zasshi* 1926, no. 452).



Commemorative photograph at a Shibusawa family council meeting in 1928  
(taken at the family home in Asukayama)

### The necessity of establishing a “family law”

As with other successful men of the Meiji period, Shibusawa had children with other women besides his lawful wife. What is more, they even lived in the same mansion together with the main family. When his assets began to accumulate and his children started to reach the age of adulthood, Shibusawa began to think about the nature of his family and its future shape, believing that it was time he should get things in order so as to prevent serious problems from arising.

It was necessary for Shibusawa to clearly identify those family members who would share or divide the household assets, to manage the fluctuations in those assets, to minimize the impact on household assets of the risks that he personally was taking in business, and at the same time to control the similar risks that his children might face in the future. He needed to have those matters set down into a written document known as the family law and to create a mechanism by which to tally the household assets. What Shibusawa lacked in handling the personal or private matter of family assets, however, was legal knowledge and wisdom, which is one reason why he selected Hozumi, who was well versed in this field, as his daughter's husband.

### Beginnings of the Shibusawa family council

The Shibusawa family council held its first meeting in September 1889, with the family law formalized in 1891. After that, regular meetings were held once a month. The purpose of the Shibusawa family council was to “supervise the family assets and yearly income and expenditure,” officially carrying out the management of the family assets. The members composing the family council, it was specified, were “restricted to the current head of the family, Eiichi, his legitimate children and their heirs, and their spouses” and “the dividends of those in their minority shall belong to the family head, with males receiving distribution upon attaining majority and females at the time of their marriage” (*Biographical Materials* 1955–65, vol. 29). The family law did not permit the future expansion of the family to other members, and it also forbade such things as becoming guarantors to other families, holding debt, and becoming a shareholder or company board member without resolution by the family council centered on the family head. It was also forbidden to engage in speculative behavior or to do business that was immoral. In addition, it was forbidden to take family quarrels to court.

The founding members of the family council were Shibusawa, his wife Kaneko, his oldest son Tokuji and his wife Atsuko, his oldest daughter Utako and her husband Hozumi, and his second daughter Kotoko and her husband Sakatani Yoshirō. At that time, Hozumi and Sakatani were still a young scholar and bureaucrat, respectively, so Shibusawa is believed to have helped them out financially to some extent in terms of asset management. In June 1909, when Shibusawa stopped working at most of his businesses except for the First Bank and a few others, the members in attendance at the family council meetings were Shibusawa and his wife Kaneko, Tokuji and his wife Atsuko, Hozumi and his wife Utako, Sakatani and his wife Kotoko, and Shibusawa’s second son, Takenosuke (aged 22), and third son, Masao (aged 20). Around the same time, in January 1909, his third daughter, Aiko, was betrothed to Akashi Teruo (1881–1956), with the wedding ceremony held in December 1910. Aiko became an official member of the family council in July 1910, and her husband Teruo started participating after their marriage.

### Separation of family from management

The draft for the family law was drawn up by Hozumi based upon Shibusawa’s own thinking that “the family and management shall be separated.” This ap-

proach gave the family council the same kind of functions as joint-stock capitalism in the sense of organizing it by regulations and rules governing its accounting. In other words, like a joint-stock company, Shibusawa gave the family council a “public nature,” applying a framework and constraints so that it was operated in accordance with certain rules based on accounting principles. He prescribed who qualified as members of the family council and who would receive their share of assets in compliance with the rules, while at the same time making members aware of their position and responsibilities. Built upon the axis of business activities, the council also required the family to make social contributions.

### **Governance reform of the Mitsui family**

Before establishing his own family's law, Shibusawa had been involved in the compilation of constitutions or laws for other families with which he had deep business connections. He relied heavily on Hozumi to help him in this respect. Shibusawa had been asked to serve as an advisor for the governance of the Mitsui family as far back as the time when Minomura Rizaemon wielded power there. After Minomura's sudden death in 1877, Shibusawa became senior counsel to the family. The reform of the Mitsui household management in 1890 saw both Shibusawa and Inoue Kaoru appointed as advisors, and Hozumi was commissioned to draw up the draft for the Mitsui household constitution.

Hozumi proposed that the Mitsui-gumi be organized as a union in civil terms. Starting with the eight families making up the larger Mitsui family group, he incorporated three others—Mitsui Takenosuke and Mitsui Yonosuke, who were responsible for Mitsui & Co., and the heirs to the Mitsukoshi family—as part of the official family, setting the number at 11 families, while also stipulating that it would not be expanded any further. Furthermore, the assets would be composed of both common assets and those held by each individual family, with the family council serving as the ultimate decision-making body. Executives of Mitsui-gumi would also serve as voting members of the family council. The Mitsui family council was officially launched at a meeting in October 1893, which Shibusawa attended. Hozumi became involved in 1898, when the move was made to draw up the Mitsui household constitution. The document, which went into effect in 1900, was based on patriarchal principles and prohibited any internal Mitsui family quarrels from being taken to court. Inoue was appointed lifetime Mitsui family advisor and given the right to ren-

der final judgments. The *ōmotokata*, a coordinating body established in 1709, was renamed the Mitsui Family Council Office.

During that period, conflict arose when Shibusawa was relieved of his post as advisor to the Mitsui Bank after Nakamigawa Hikojiro became vice-president of the bank in 1892. Nakamigawa had tried to seize control of several of the businesses that Mitsui and Shibusawa were both involved in, having sent Fujiyama Raita (1863–1938) to Oji Paper, which led to Ōkawa Heizaburō, the person installed by Shibusawa as senior managing director, resigning in 1898. The discord continued until Nakamigawa fell from power in Mitsui in 1901; he died in the same year.

#### Establishment of the Shimizu family law

Another family whose law Shibusawa was involved in establishing was the Shimizu family (Shimizu-gumi, now Shimizu Corporation), which was famous for the quasi-Western architecture of the Tsukiji Hotel and First National Bank, among others, and which laid down the foundations of modern architecture in Japan, especially in Tokyo and Yokohama, with support from Mitsui, Shibusawa, and others. After the second-generation head of the family, Shimizu Kisuke II (1815–81), died in 1881, the third-generation head, Mitsunosuke, who was the adopted son-in-law of Kisuke, died suddenly in 1887 at the young age of 34. Mitsunosuke had left a will stating that Shibusawa should be consulted concerning all matters, so his widow, Mume, followed Shibusawa's directions in defining a managerial system, appointing her younger male cousin, Hara Rinnosuke (1857–1912), as manager and stipulating "operational regulations." Also, her eldest son Kisaburō, still only 10 years old, was designated to inherit the name Mitsunosuke as the fourth-generation head of the family. Additionally, the management was unified by merging the Tokyo branch of the company, run by Shimizu Takeharu, into the main branch.

Furthermore, her eldest daughter, Take, married a relative, Ono Teikichi (1867–1948), who had graduated from the university that was the predecessor of the architecture department of the University of Tokyo. It was Ono who requested Shibusawa to draw up the household constitution; Hozumi did so in 1892. According to this constitution, the "family" was defined as Mitsunosuke's four legitimate children and their spouses, with the "head family" to be led by the son now named Mitsunosuke. The ultimate decision-making body was designated as the family council, which met monthly with the advisor Shibusawa

and manager Hara Rinnosuke also attending. Later, in 1900, the family council meeting of the Shimizu family changed into a family business conference, with the advisor and manager taking part as constituent members as well (Shimizu Corporation 1953, 2003).

Shibusawa and Hozumi gave similar household constitutions and structures to both Mitsui, a group of related merchant families that had had multiple family lines ever since the Edo period, and Shimizu, which had transformed itself from a master carpentry business into a modern architectural enterprise while maintaining itself as a family business by successively adopting sons-in-law from generation to generation. The basis of their approach was the separation of family and business management and the preservation of household assets—in other words, the family's status and its physical assets—with the aim of allowing both the family and management to survive under a certain degree of discipline. The same thinking was then applied to the Shibusawa family as well.

#### Hozumi's subsequent life

After that, Hozumi was selected in 1893 by the Legal Code Investigation Committee to become one of its members in drafting Japan's Civil Code, which went into effect in 1898. In 1905 he found himself tied up in administering Tokyo Imperial University as well, having to deal with such matters as an incident involving Professor Tomizu Hirono (1861–1935) of the law department, who had been laid off by the Ministry of Education for criticizing the national government over the outcome of the Portsmouth Peace Treaty following the Russo-Japanese War of 1904–5. Making little headway in compiling *Hōritsu shinka ron* (Theory of the Evolution of Law), which he considered to be his magnum opus, Hozumi resigned from Tokyo Imperial University in 1911 at the age of 55. However, he was later appointed privy councillor in 1916, chair of the Extraordinary Legislative Council in 1919, and president of the Privy Council in 1925, and during the same period he was also selected head of the Imperial Academy in 1917. Hozumi died in 1926 at the age of 71. Although he had reached the pinnacle of his career as a scholar-bureaucrat, he failed to complete his lifelong research on the theory of the evolution of law. His younger brother Yatsuka (1860–1912) and oldest son Shigetō (1883–1951) also served as law professors at Tokyo Imperial University, so his was a family of jurists.

### Second daughter's husband, Sakatani Yoshirō

Shibusawa's second daughter, Kotoko, married Sakatani Yoshirō. Sakatani was born as the fourth son of Sakatani Rōro (1822–81), a scholar of Chinese classics and Confucianism, in 1863. Shibusawa had met Rōro for the first time in 1865, when he visited the Hitotsubashi domain to scout for talented personnel. The Sakatani family moved to Tokyo in 1870, and in 1872 Rōro began service in the new Meiji government. His son Yoshirō entered the Tokyo English School in 1876 at the age of 13. Other students in the school around the same time who went on to become academic and ideological leaders in Japan included Kanai Noburu (1865–1933, later a legal scholar and economist), Soeda Juichi (1864–1929, later a lawyer, civil servant, and economist), Hozumi Yatsuka (mentioned in the previous paragraph), Uchimura Kanzō (1861–1930, later an author and Christian evangelist), and Takada Sanae (1860–1938, later a politician and political scientist).

In 1880, at the age of 17, Sakatani entered the economics department of the University of Tokyo, along with 12 fellow students. In his third and fourth years at the university, he took a course in Japanese finance taught by Shibusawa. Graduating in 1884, he entered the Finance Ministry, while simultaneously teaching courses in economics and finance at Senshū School (the predecessor of Senshu University). In 1886 he was appointed chief budget examiner at the Finance Ministry.

Sakatani married Shibusawa's daughter Kotoko in 1888. The official matchmaker between the two was Watanabe Hiromoto (also known as Kōki) (1848–1901), president of Tokyo Imperial University. Sakatani met his future bride at a formal interview arranged by Shibusawa the year before with a view to marriage. Shibusawa thus married off his older daughter to an up-and-coming jurist and his second daughter to one of Japan's first college-educated economic bureaucrats. Raised in the family of a classical Chinese scholar, Sakatani was a candidate for a high-ranking bureaucratic position in the government as a future leader of the new era, having been educated in the ways of the modern economy. As he had with Hozumi, and perhaps even more so, Shibusawa treated Sakatani, who lacked any political and economic backing, virtually as an adopted son.

Shibusawa expected the spouses of the two daughters from his first wife to become wise counselors, advisors, and agents for a new family that was beginning to expand, bringing with them both new knowledge and traditional

common sense.

### **From finance minister to “chairman of 100 associations”**

Later Sakatani formed the core of support for the finance policies of Finance Minister and then Prime Minister Matsukata Masayoshi (1835–1924). In 1893 the Investigation Committee into the Currency System was set up to discuss whether or not Japan should adopt the gold standard, which was eventually introduced because of Matsukata's strong determination to see its realization. While many others were in support of maintaining the silver standard, Sakatani was a most powerful promoter of the gold standard and worked hard toward its introduction. At that time, Shibusawa, as a leader of the business community, strongly opposed the introduction of the gold standard. When the Sino-Japanese War broke out in 1894, Sakatani was assigned to work for the Hiroshima Imperial Headquarters (the Meiji emperor had moved to Hiroshima, from where soldiers were transported to China, to command the war). In 1897, at the age of 34, he became director of the budget bureau of the Finance Ministry, moving up to the position of director general and budget bureau director in 1901, thus becoming a first-grade senior official. In 1903, at the age of 40, he became vice-minister of finance, and in 1906 he became finance minister in the cabinet of Prime Minister Saionji Kinmochi (1849–1940). He remained in that post until 1908. From 1912 to 1915 Sakatani served as the mayor of Tokyo. But his career in posts where he could freely wield his abilities as government official and administrator came to an end at that point.

In 1917 Sakatani became a member of the House of Peers (the upper house of the Imperial Diet), and in 1924 he became president of Senshu University and director of Ryūmonsha, after which he was appointed chancellor of Senshu University in 1934. Although his brother-in-law Hozumi had resigned from his post at Tokyo Imperial University in order to concentrate on his research project, he had become exceedingly busy once again after being appointed as privy councillor in 1916. Accordingly, Sakatani was enlisted even more frequently to attend to the social activities of the Shibusawa family. Nicknamed the “chairman of 100 associations,” he was indeed involved in a huge number of organizations, including the Japanese-American Relations Standing Committee, Ryūmonsha, the Great Japan Peace Association, the League of Nations Association of Japan, the Interreligious Association of Mutual Understanding and Cooperation, the Japan Institute of Pacific Relations, the Tokyo Association of

Economics, the Meiji Shrine Worshipers' Association, the Japan-US Council of Interested Parties, the Japan-US Society, and the Investigation Committee into the Currency System.

### Sakatani as an "aristocratist"

However, Sakatani's thoughts and beliefs did not necessarily align with those of Shibusawa. For instance, although Sakatani took part in the Interreligious Association of Mutual Understanding and Cooperation, the central figure of the group, Anesaki Masaharu (1873–1949), spoke of him thus: "In all respects, Sakatani helps out his father-in-law [Shibusawa], but this son-in-law seems to be getting a little reactionary; the term 'reactionary' may be too strong, but he is certainly becoming less liberal than his father-in-law" (Isomae and Fukazawa 2002). In his biography, Sakatani's lifestyle was described as that of an "aristocratist," and he maintained his pride even after leaving his minister's post by always setting out from home in a two-horse carriage. Shibusawa felt that "Sakatani's financial situation will become tight unless he stops doing only work that gobbles up money and starts to find a path where money flows in a bit. Also, his insight won't come down to earth if he only discusses lofty national affairs without carrying out some practical work" (*Sakatani Yoshirō Biography* 1951). He thus placed Sakatani in the position of director in various firms, including Tokyo Bay Reclamation Company and Oki Electric in 1920 and Asano Super High Grade Cement in 1926. Also, Sakatani was made president of Sengokuhara Estate in 1928 and chairman of the board of Hakone Hot Springs Supply Co. in 1930.

### Rigid application of family council rules

An important change occurred in the Shibusawa family in January 1912, when the family council reached the decision to have Shibusawa's heir and eldest son Tokuji disinherited. Despite the different levels of involvement and individual ideas and beliefs of members, the family council, protected by the virtually adopted sons-in-law Hozumi and Sakatani and others, operated strictly in compliance with the rules when expelling him for not performing the duties imposed upon him by the council. The council held an extraordinary meeting on November 10, 1912, and formally decided on Tokuji's disinheritance in January 1913. Also, in October 1912 Shibusawa's fourth son, Hideo, became a full member of the council upon reaching the age of majority.

### Establishment of the Shibusawa Family Corporation

In January 1915 the family law was revised to establish the Shibusawa Family Corporation the following April. Although the family council continued to exist, the Shibusawa Family Corporation was set up with the purpose of acquiring, possessing, utilizing, and selling movable assets, real estate, and securities, among other activities, with the intention of “jointly holding what little household assets there are, so as to make the family’s lifestyle as fair and safe as possible, and maintaining their livelihoods in as cooperative a way as possible” (*Bibliographical Materials* 1955–65, vol. 57). The company was capitalized at 3.3 million yen, with Shibusawa holding 1,000 shares, the six separate families each holding 300 shares, his grandson Keizō (Tokuji’s son), designated as the head of the main household, also holding 300 shares, and additional shares held by others. Shibusawa’s grandson Keizō was named as president of the company, but as he was still a student at the time, records show that the business affairs of the company were to be looked after by Shibusawa for the time being.

### Shibusawa’s children

Next I will introduce the subsequent lives of Shibusawa’s children.

Although his second son, Takenosuke (1886–1946), seems to have served as director and president of Ishikawajima Aircraft Manufacturing at one time, very little is known about his career. Shibusawa’s third son, Masao (1888–1942), meanwhile, set up the Shibusawa Trading Company during the Taisho period (1912–26) but failed spectacularly, leaving Shibusawa to clean up the mess. After having had his qualifications as a family member suspended for one year, Masao served successively thereafter as president of Fuji Steel, Ishikawajima Motor, and Showa Steel Pipes, among others, then set up Ishikawajima Aircraft Manufacturing in 1930, becoming its president. Shibusawa’s third daughter, Aiko (1890–?), married Akashi Teruo, who later became president of the First Bank. His fourth son, Hideo (1892–1984), became a director of the Denentoshi Co. in 1919 and chairman of the board of Tokyo Takarazuka Theater in 1938. In 1946, after the end of World War II, he was purged from all official posts and became a writer.

The person whom Shibusawa tapped to succeed himself as family head was his grandson Keizō (1896–1963). That was done while Keizō’s uncles (Shibusawa’s sons), listed above, were still alive. When his father Tokuji was disinher-



Shibusawa Keizō, 1932 (standing at right), behind the elderly Ōkawa Shirōzaemon at Zushū-Uchiura-Nagahama in Shizuoka Prefecture

ited, Keizō was still just 16 years old. In 1921 he graduated with a degree in economics from Tokyo Imperial University, after which he joined the Yokohama Specie Bank, working at its London branch. In 1926 he joined the First Bank, becoming its director, and he assumed the position of Shibusawa family head in 1931 when Shibusawa passed away.

Keizō became vice-governor of the Bank of Japan in 1942 and governor in 1944. In 1945 he was appointed finance minister in the 1945–46 cabinet of Prime Minister Shidehara Kijūrō (1872–1951), resolutely pushing through emergency finance policies during the postwar period of confusion, such as closing deposits, converting the currency to the new yen, and imposing a wealth tax. To set an example for the latter, he handed over more than four acres of prime property (both residence and land) of the family's in the Mita district of Tokyo to the government.

In the postwar dismantling of the zaibatsu, Keizō also willingly accepted the designation of zaibatsu for Shibusawa family businesses even though the

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authorities had deemed them too small for that. After the purge of war criminals from public office was repealed, he assumed the presidency of Kokusai Denshin Denwa (KDD) in 1953. While performing his duties as head of the Shibusawa family, Keizō also continued to be involved in research on fisheries history and folklore, to which he had committed himself after being influenced by the folklorist Yanagita Kunio (1875–1962) and others. That work bore fruit in the form of the Attic Museum (later to become the Institute for the Study of Japanese Folk Culture). Keizō himself would travel around outlying regions of Japan on weekends, ardently supporting the work of such researchers as Oka Masao (1898–1982), Miyamoto Tsuneichi (1907–81), and Amino Yoshihiko (1928–2004).



## Chapter 4

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# Politics for the Benefit of the Private Sector



Shibusawa in the United States, 1909

## 1. Japan's economic policies and economic trends after the Sino-Japanese War

Although Shibusawa had resigned from the government to become an executive in the private sector, he did not sever all of his involvement with it. Shibusawa continued to actively make comments and take action related to politics—particularly regarding economic policies—if they were necessary for the self-reliance and independence of the private sector. This chapter touches upon Shibusawa's awareness concerning the framework of the state and the national economy upon which he based his thinking about his activities as an entrepreneur. A rather detailed examination is made of his perceptions of national economic policy during the period extending approximately from the Sino-Japanese War (1894–95) to the Russo-Japanese War (1904–5), which corresponds to the peak years of his entrepreneurial activities.

### Positive advocate of introducing foreign capital

After the Sino-Japanese War, the international environment surrounding Japan changed immensely, as Japan had overcome the threat of colonization by the Western powers that had persisted ever since it opened its doors to the outside world in the 1850s. Japan rushed toward preparations for war with Russia, with which it was in direct conflict regarding the Korean Peninsula and the Chinese mainland. As a result, the circumstances surrounding the Japanese economy changed drastically. The period has been described as one in which Japan became strongly aware of its position in the international order vis-à-vis the advanced countries of the West, with the adoption of the gold standard and revision of the unequal treaties (Ishii 1997). In that respect, the period represented a major turning point for modern Japan. Also, the most important theme in economic policy at the time was the issue of introducing foreign capital. Shibusawa commented and took positive action concerning this matter too (Namikata 1971).

While the concept of the introduction of foreign capital may seem simple, there were multiple approaches toward its actualization, with many different conditions needing to be arranged in advance. For that reason, many laws were enacted in Japan relating to its introduction, including revisions to the act establishing the Industrial Bank of Japan (IBJ), as well as the passing of the Railway Nationalization Act, the Secured Bonds Trust Act, and several laws relating

to mortgage-backed securities (the Railway Secured Bonds Act, Factory Secured Bonds Act, and Mining Industry Secured Bonds Act). These laws were enacted in quick succession in 1905 and 1906. Shibusawa was deeply involved in all of these issues, having actively submitted comments to various newspapers and magazines about them. This involvement is believed to have been the result of his recognition that policy was becoming increasingly important in economic matters and his strong awareness of being in a position not only to establish and manage individual companies but also to express his opinions about the right direction for the economy as a whole.

### **Japan's military expansion and improvement of infrastructure**

The following sections reexamine historical research made so far as well as Shibusawa's comments concerning separate economic policies, primarily during the period after the Sino-Japanese War, such as war indemnity from the Chinese Qing Empire, the gold standard system, the introduction of foreign capital, railway nationalization, and the three mortgage-backed securities acts. Connections will be sought between them in order to examine Shibusawa's underlying views of the economy.

Let us first take a rather sweeping overview of the period following the Sino-Japanese War. The phrase "management of the postwar period after the Sino-Japanese War," used in Japanese historical studies, refers, in short, to the series of economic policies executed during the years of massive military expansion and infrastructure improvement that were undertaken in preparation for war with Russia (Kamiyama 1995).

The source of revenue for those efforts came from war indemnity from the Qing Empire, as well as such measures as tax increases and the issuance of domestic and overseas bonds. Taxes were hiked three times in the period from 1896 to 1901, including the implementation of new taxes (such as the registration tax and business tax), an increase in rates for the brewery tax and land tax, and initiation of the monopolization of tobacco sales. The tax shortfall that remained after such measures were put into place had to be covered by the issuance of public bonds, but it was difficult to issue any more bonds domestically because of the huge amount already issued to procure funds for war expenditures. As adoption of the gold standard was an absolute prerequisite for issuing public bonds outside of Japan, following the lead of the West, several top-ranking bureaucrats in the Finance Ministry, including Finance Minister Matsukata

Masayoshi and Shibusawa's son-in-law Sakatani Yoshirō, forced through its introduction in 1897 despite vehement opposition. In this way, Japan's economic policy during the period following the Sino-Japanese War was characterized by a series of colossal changes in economic policies made to deal with the political issue of expanding the military.

### **Prolonged economic downturn**

Let us next take a look at the changes in the economy during the postwar period and measures taken to help improve business conditions. The economic changes after the Sino-Japanese War began with increased government spending funded by war indemnity from the Qing Empire, with the Bank of Japan adopting a more proactive lending policy, followed by a postwar boom triggered by the lowering of interest rates and the second historical wave of the establishment and rise of many domestic companies (Nakamura 1985, Takamura 1980). Reflecting the distortions of such unreasonable economic policies, however, Japan was struck by a depression in 1898, leading the government to shift toward austere fiscal policies. Specifically, the tight money situation resulting from a trade imbalance characterized by an excess of imports caused interest rates to rise, leading to a decline in domestic bond prices, which in turn created an acute emergency in which it was impossible to issue the public bonds that were absolutely necessary for the government in fiscal terms. Though the economy recovered in the short run, depression clouded the country again in 1900. The underlying tone of the economy continued to be negative, as both the government and the Bank of Japan prioritized the maintenance of specie (gold) reserves and strengthened restrictions on loans to the private sector. Basically the Japanese economy suffered a prolonged recession and did not recover until the Russo-Japanese War of 1904–5.

The rest of the chapter comprises a chronological presentation of individual economic issues, along with an introduction of Shibusawa's opinions and ideas about the relevant economic policies taken to deal with them.

## **2. The issue of Qing Empire indemnity after the Sino-Japanese War**

### **Reckless compilation of the national budget**

The Sino-Japanese War ended in 1895 with Japan's victory, and a peace treaty

was signed in Shimonoseki, Japan, in April of that year. Immediately thereafter, an examination was undertaken of how Japan should receive its indemnity from the Qing Empire, totaling 360 million yen, as well as how to spend it. Both were important issues tied to the basic direction of the country's postwar economic policy. The person entrusted with the task of determining that policy was Matsukata, who became finance minister in March 1895 (Muroyama 1984).

Shortly after being appointed finance minister, Matsukata presented a proposal based on "sound fiscal activism," composed of the three policy pillars of military expansion without procuring funds through overseas bond issuance, industrial development, and the adjustment of government finances. His proposal incorporated measures to wipe out the deficit in military spending entirely through the indemnity funds and the swift redemption of military (war) bonds worth 100 million yen. Matsukata based his plan on the idea that the swift amortization of such bonds would temporarily reduce the government's fiscal burden while creating an environment amenable to the issuance of industrial bonds to be used for transportation and communications projects as an industrial development policy.

Given the political circumstances of the time, however, such as the problem of military expansion and the need to deal with the Imperial Diet, Matsukata's policy of sound fiscal activism was not accepted by the cabinet of Prime Minister Itō Hirobumi (1841–1909), Matsukata therefore resigned from his position as finance minister and was succeeded by Watanabe Kunitake (1846–1919). Watanabe highlighted the policy directions of massive military expansion and active industrial development, sacrificing the issue of developing and establishing a sound fiscal base for the government. Under his guidance, the budget for Japan's military expansion swelled greatly, while existing military (war) bonds were left unredeemed and an additional 100 million yen worth of new bonds issued. Simultaneously, railway and industrial bonds worth 100 million yen were also issued, so the increased fiscal burden on the national government ended up being 200 million yen. As Watanabe's expansionist fiscal course overemphasized military expansion, with a one-sided accumulation of military expenses and military (war) bonds, his policy was a reckless one that made it impossible to establish a sound fiscal base for the government.

### Using the indemnity from the Qing Empire to promote the Japanese economy

In August 1895, after the conclusion of the peace treaty, Shibusawa submitted a discourse about the issue to the newspapers titled “Discussion of the Postwar Economy.” In the first place, Shibusawa was opposed to spending the indemnity from the Qing Empire on an excessive arms buildup. The reason, he said, was that a temporary expansion of military spending would generate a long-term fiscal burden. The warning about diverting the reparations toward excessive military spending was relatively common at the time (*Yomiuri Shimbum*, August 27–September 1, 1895; *Biographical Materials* 1966–71, Supplement vol. 6; Nagaoka 1973).

Shibusawa argued that the indemnity should be spent on promoting the economy and strongly opposed spending it on redeeming public bonds and military (war) bonds. He warned against a temporary excessive influx of money, saying that it would trigger price inflation, speculative fever, and even an economic depression. To prevent that, he suggested that secure public bonds be purchased and held in London. As a matter of fact, the Japanese government had decided to receive a huge amount of British currency (in gold) in London for the payment of warship construction costs and pool it there. So it had kept the indemnity funds in the United Kingdom but for a reason opposite to that of Shibusawa’s—in other words, to prevent the tightening of domestic finances that would result from the outflow of specie (gold) for the import of warships and weapons (Muroyama 1984).

### Viewing the issue from the perspective of free competition

In December 1895 Shibusawa once again voiced his opposition to the use of the indemnity for military expansion. What is interesting here is that he simultaneously argued for the necessity of government protection. Shibusawa recognized that it was necessary to implement legal protections for the purpose of keeping domestic industry competitive against foreign goods, such as imposing protective tariffs on imported goods and exempting raw materials used for exports, such as those used by the textile industry, from import tariffs. At the same time, though, Shibusawa was opposed to using the indemnity from the Qing Empire to redeem domestic bonds, arguing that the temporary influx of capital could have an adverse monetary effect on the domestic economy.

On the whole the Japanese business world hoped to have the indemnity used to redeem military (war) bonds, as it believed that capital flowing into the

markets would prop up the economy and lead to the promotion of business. In contrast, Shibusawa opposed the plan from the perspective of free competition and liberal economics, saying that economic trends should follow the principle of laissez-faire. He argued that use of the indemnity to subsidize industries or to redeem military (war) bonds would simply be a reflationary measure dependent on the government and opposed it as a protectionist policy.

### 3. Debate about Japan's adoption of the gold standard

#### Shibusawa's constant opposition to introducing the gold standard

Another major economic issue that emerged in tandem with that of how to spend the indemnity from the Qing Empire was whether or not Japan should adopt the gold standard. In October 1893 Finance Minister Matsukata ordered the establishment of an investigation committee to look into the currency system, and discussions by that committee eventually led to the adoption of the gold standard (Nakamura 1985; Yamamoto 1984). Shibusawa was one of the 20 committee members, most of whom opposed the plan to move to the gold standard. Its proponents on the committee, however, including Shibusawa's son-in-law Sakatani Yoshirō and Soeda Juichi (1864–1929) of the Finance Ministry, skillfully steered the meetings and managed to prod the committee in the direction of supporting the need to revise the country's currency system (Nakamura 1985). While the introduction of the gold standard was not necessarily advantageous economically as far as the world situation at the time was concerned, Matsukata's belief in the absolute need for the establishment of a solid currency system, along with Fukuzawa Yukichi's idea of "leaving Asia and entering Europe," allowed it to be implemented in disregard of short-term gains or losses.

During that period, Shibusawa consistently argued against the introduction of the gold standard. Around March 1895 he spoke before the currency system investigation committee in favor of maintaining the silver standard. As far as that issue was concerned, Shibusawa expressed his opposition, from beginning to end, from a realistic standpoint. He strongly insisted that there was not any particular reason to renounce the existing silver standard, as it had worked favorably for Japan's exports to countries having the gold standard while also serving as a barrier against imports from those countries (*Biographical Materi-*

als 1955–71, vol. 23). His opinion was shared by the majority of the investigation committee and was representative of the sentiments of the larger business world. From a short-term standpoint, the adoption of the gold standard was not necessarily an advantageous economic policy, so it was natural for the majority, including Shibusawa, to pursue the more immediate bottom line.

The eventual adoption of the gold standard did not have as adverse an impact on the Japanese economy as Shibusawa had feared. After the adoption of the gold standard, it is true that a blow was sustained by exports of textile products to the Qing Empire, which still maintained the silver standard, but imports of raw materials benefited at the same time (Takahashi 1964).

### Concerns become reality

Shibusawa's concerns, however, subsequently became a reality. In 1898 deficits in the national budget and shortfalls in specie (gold) reserves manifested themselves, leading to the postwar economic depression. Nonetheless, the government basically maintained its military expansion line and did not rectify its policy of red-ink financing of the budget. In addition, the recession was prolonged on account of priority being placed on maintaining the country's specie (gold) reserves, along with a failure to adopt an effective fiscal policy to stimulate the economy.

Having decided the direction of its policies relating to the Qing Empire indemnity and the gold standard, in the period following the Sino-Japanese War the government, using these policies as axes, adopted an expansionist fiscal policy line condoning military expansion and rejecting Matsukata's austere policy of not issuing bonds overseas but instead rebuilding government finances. At the same time, the avowed purpose for adopting the gold standard also shifted in nature from fiscal reconstruction to an improvement of conditions for issuing bonds overseas that would help support the government's expansionist fiscal policy.

As antirecessionary measures, two proposals emerged from Japan's business world to supply the private sector with capital from the government: the introduction of foreign capital into the private sector and nationalization of the country's private railways. Arguments had been made for both issues to serve as long-term antirecessionary measures ever since the economic depression that followed the Sino-Japanese War and continued through to the period both before and after the Russo-Japanese War a decade later. While reviewing Shibu-

sawa's views and behavior concerning these issues, let us next introduce the ways in which he searched for a path for Japan to move forward amid the intensification of international competition that had been newly caused by both wars.

## **4. The merits and demerits of introducing foreign capital**

### **Historical background to Japan's issuance of bonds overseas**

Looking at the issue of introducing foreign capital into Japan, let us first make a general overview of Japan's issuance of bonds overseas in its management of the period after the end of the Sino-Japanese War. As mentioned previously, after that war Japan's policy of military expansion created a trade imbalance characterized by a huge excess of imports, and the resulting shortfall in specie (gold) reserves made it necessary to procure additional capital. On account of the large-scale issuance of military bonds domestically, however, it had become virtually impossible for Japan to issue any more public bonds at home, leading to the necessity of procuring capital abroad through the issuance of bonds overseas. Stemming from its fear of being colonized, Japan had been averse to issuing such bonds for a long time. But the repeal of the unequal treaties and adoption of the gold standard lessened such worries, enabling the issuance of such bonds for the first time (Takahashi 1964; Asai 1975; Horie 1950).

In 1897 the government put military (war) bonds worth 43 million yen in its holdings up for sale on the London market and was successful in selling them. Although Japan subsequently embarked on the full-fledged issuance of bonds overseas, the mainstream thinking within the Finance Ministry and the Bank of Japan, amid the underlying activist tone of the government, was still dominated by Matsukata's policy of minimizing the artificial import of foreign capital, so the issuance of bonds overseas was kept to the absolute minimum (Kamiyama 1995).

The government covered the costs for its expansionist fiscal policy after the Sino-Japanese War through the indemnity from the Qing Empire, tax increases, and the issuance of domestic bonds, but the situation surrounding public bonds worsened in 1898 when the first postwar economic depression struck. Specifically, the money situation became exceedingly tight owing to Japan's huge excess-import foreign trade imbalance. That, combined with rising inter-

est rates and falling prices for domestic bonds, made it impossible for the government to initiate any more bond sales publicly in Japan. The government thus embarked on the issuance of bonds overseas to settle payments for the cost of building warships and to supplement shortages in its specie (gold) reserves. In 1899 it offered 10 million pounds (97.63 million yen) worth of sterling-denominated public bonds for sale at a fixed interest rate of 4% per annum, but the sale ended in a spectacular failure (Kamiyama 1995).

Nevertheless, the government was forced once again to issue bonds overseas to drum up revenue, so it put 50 million yen worth of domestic bonds on sale in the London market in 1902. As that bond issuance occurred in the same year in which the Anglo-Japanese Alliance was formed, it ended up being a success (Kamiyama 1995). Since the Japanese government had capped the total amount of overseas bonds that could be issued at 200 million yen (the amount for which repayment of principal and interest could be covered by tariff income), it never exceeded that level before the Russo-Japanese War. Prior to that war, the total amount of Japanese bonds issued overseas amounted to around 140 million yen, including the overseas sale of domestic bonds, so the difference with the so-called era of foreign capital imports after the war, when the total amount reached more than 2 billion yen, was huge. Although foreign bonds had been limited as far as the amount was concerned, the opening of a path enabling the issuance of bonds overseas is considered important in the management of the period following the Sino-Japanese War (Takahashi 1964).

### **Establishment of the Industrial Bank of Japan**

During the period under review, the Japanese private sector had pinned high expectations on using foreign capital as an economic stimulus measure to circumvent the tight money situation and thereby ensure a supply of money. The world of private business, including the Tokyo Chamber of Commerce, enthusiastically supported arguments for the redemption of domestic bonds through the sale of bonds overseas, as well as for the nationalization of domestic private railways. In other words, the Japanese private sector believed that the expansion of the government's budget during and after the Sino-Japanese War, through the public offering of military (war) bonds and tax increases, had hit the economy hard. It thus insisted that in addition to an austere fiscal policy implemented through spending cuts, tax reductions, and other such measures, capital should be supplied to the private sector and the tight money situation

relieved by either using money procured through foreign currency-denominated Japanese government bonds for the redemption of domestic bonds or nationalizing the main private railways (Takahashi 1964).

In response to such demands from the private sector, the government established the Industrial Bank of Japan (IBJ) in April 1902 for the purpose of importing foreign capital in lump sums and funneling it to productive private enterprises under the supervision of the government. Although there were foreign intermediaries interested in the issue of Japanese local and corporate bonds abroad, the amounts were small, and only a few were approved (Asai 1975). As the government, concerned about the adverse impact that such moves would have on the prices of its bonds overseas, did not welcome them, it instead took the direction of publicly controlling overseas bonds solely through the IBJ.

### **Shibusawa's advocacy of foreign capital in the private sector**

The issue of the introduction of foreign capital after the Sino-Japanese War arose because the government found itself pressed by its tight fiscal situation and because the private sector was looking forward to having capital provided through such antirecessionary measures as the redemption of domestic bonds and the nationalization of private railways. In fact, what ended up being realized was railway nationalization and the supply of capital to the private sector that was controlled by the government through the IBJ. Since the three issues of the introduction of foreign capital, establishment of the IBJ, and railway nationalization are intimately related to one other, let us consider Shibusawa's comments and actions about these problems as well as their implications.

Shibusawa had advocated the introduction of foreign capital to the private sector as a means of relieving the capital shortfall of the private sector. The government was considering the overseas subscription of bonds to alleviate capital shortages, so in that respect Shibusawa and the government shared the same views. Shibusawa, however, argued that such bonds should not be used for the government's expansion of military expenses or for offsetting its exhaustion of specie (gold) reserves but only to inject capital into the private sector. Despite the existence of arguments against the introduction of foreign capital, such as "the authority of management will be usurped by foreigners" or "the domestic economy will be subject to the impact of emergencies or incidents in other countries," Shibusawa stated that "Perhaps people forget that Japan has

already stepped onto the world stage” and strove to publicly work toward eliminating the private sector’s allergy toward the introduction of foreign capital (Record of Bank Communications no. 144, November 1897). At the same time, he endeavored to rally the business world, submitting the “Ideas Concerning the Adjustment of Finances” from the Tokyo Chamber of Commerce to the government in December 1897. This document called for the reduction of military spending and promotion of the private-sector economy (*Biographical Materials* 1855–65, vol. 21).

Strongly aware that easy public money would weaken the international competitiveness of Japanese companies over the long run, Shibusawa struggled toward the creation of a mechanism by which capital from overseas bonds could circulate to the private sector. He adopted a similar stance toward the issue of railway nationalization, which was starting to be ardently advocated by people in the private sector as an antirecessionary measure. Shibusawa combined the issues of the introduction of foreign capital and railway nationalization as he thought up his own unique plan for providing the private sector with new funds.

## 5. Discord surrounding the argument for railway nationalization

### The movement toward railway nationalization in Japan

The progression toward railway nationalization in Japan was characterized by a repeated cycle of ups and downs, with the idea raised in debates and discussions and then dying down. The first such cycle occurred after the economic depression of 1890, the second during the twin depressions of 1898 and 1901, and finally the third during the Russo-Japanese War of 1904–5. The first nationalization movement, called the “stockbrokers’ nationalization argument,” was instigated by a certain segment of railway executives who raised the issue as they were speculators and wanted to shore up railway share prices, which had been in the doldrums (Nakanishi 1963). In opposition to that, around 1894, Shibusawa, Nakamigawa Hikojiro (1854–1901; head of the Mitsui zaibatsu), and other major figures from the business world insisted on railway privatization and prepared a plan instead for disposing of government-run railway assets by selling them to the private sector.

The argument for nationalizing Japan’s railways reared its head again during

the country's depression of 1898, backed by strong railway capitalists and, as before, having a speculative nature. As an antirecessionary measure, there was also a plan to provide funds to the private sector through the redemption of domestic bonds, so railway nationalization was not necessarily the mainstream argument at the time. When depression revisited in 1901 after having receded for a while, however, there was no longer any choice but for the business world to recognize the government's purchase of private railways as part of a set of rescue measures, and Shibusawa and others in the Tokyo Chamber of Commerce initiated a movement to petition the Imperial Diet. Subsequently, as the Russo-Japanese War neared, the Japanese military, led by Yamagata Aritomo (1838–1922; prime minister in 1889–91 and 1898–1900), strongly promoted nationalization of the country's railways from a military standpoint. After the war, moreover, the argument for nationalization was strengthened with the addition of the need to secure Japan's interests stretching from Korea through Manchuria, leading Shibusawa and others in the business world to rally around in support of the proposal (Nakanishi 1963).

The Railway Nationalization Act was thus promulgated in 1906, with the acquisition of the railways swiftly ensuing thereafter. The amount to be paid for the railway acquisition was set at a level extremely advantageous to shareholders, who were given public bonds worth more than double the face value of their shares (Sakurai 1986).

### **What were Shibusawa's true motives in changing his mind?**

According to accepted opinion, although Shibusawa had been totally opposed to railway nationalization at the outset, the growing seriousness of the recessions during the decade of the 1900s forced him to lend an ear to the arguments for nationalization being put forward by certain railway-related parties, leading him to shift toward a position of supporting the plan after the conclusion of the Russo-Japanese War (Oikawa 1996). According to the conventional wisdom about his reasons for changing his mind, he had argued for the necessity of unifying domestic railways out of the need to manage Japan's colonies (Taiwan had been acquired in 1895 and Korea later annexed in 1910) and the need to export products to the Korean Peninsula and Manchuria, as well as to China (Nakanishi 1963).

While it is true that Shibusawa did oppose railway nationalization initially and then changed his mind in support of the plan after the Russo-Japanese War,

he clearly expressed his opposition once again right after the Railway Nationalization Act came into effect and repeatedly commented thereafter that nationalizing the railways had been a mistake. The following section will chronologically trace his comments and actions about the railway nationalization issue.

### “Introduce foreign capital but maintain private ownership of the railways”

First of all, there was an article in the August 30, 1898, edition of the *Jiji Shinpō* newspaper headlined “Shibusawa Eiichi’s argument against railway nationalization,” in which Shibusawa criticized military-led nationalization and even more sternly reproached sympathy with the argument of “those stockbroker guys” who were hoping to jack up railway share prices through the plan (*Ryūmon zasshi*, no. 123).

As 1901 rolled around, a memorial was submitted to the government by the Tokyo Chamber of Commerce and the Federation of Chambers of Commerce recommending the redemption of domestic bonds through the introduction of foreign capital and the nationalization of railways, both as antirecessionary measures. The memorial proposed two plans to the government: redeeming domestic public bonds and acquiring private railways. Although the memorial had been decided while Shibusawa was absent, he was the president of both organizations when the petition was made to the government and while the lobbying of Imperial Diet members was carried out.

Nonetheless, judging from his writing around that time, one can realize that Shibusawa’s thoughts were not necessarily in alignment with the memorial for railway nationalization. In a letter by Shibusawa, thought to be dated June 5, 1901, and addressed to Hagiwara Gentarō, secretary general of the Tokyo Chamber of Commerce, he expressed his dissatisfaction and opposition to the plan, writing, “I disagree substantially with the railway nationalization memorial. I am greatly dissatisfied that the memorial was passed when I was not there” (*Biographical Materials* 1955–65, vol. 9).

What was Shibusawa referring to when he said that he “disagreed substantially”? On September 9, 1901, at the same time as the railway nationalization memorial, Shibusawa attached his name to a proposal made at a special meeting of the Tokyo Chamber of Commerce recommending that a “memorial be presented to the Japanese government, as per the annexed paper, of a resolution by the Tokyo Chamber of Commerce that foreigners be granted the right to

own land and mining rights.” The proposal said that for foreign capital to be introduced, “the current state of affairs causes hesitation among foreigners owing to legal obstacles related to land ownership rights and mining rights,” so “it is a matter of utmost urgency to remove such obstacles and open the path to the sharing of capital.” On September 17, 1901, three representatives of the chamber, including Shibusawa, petitioned Prime Minister Katsura Tarō (1848–1913). The proposal contained the expression “grant land ownership rights and mining rights to foreigners.” In the same period, Shibusawa wrote in his diary that “I visited Prime Minister Katsura and talked with him about the matter of railway mortgages and about permitting foreigners to own land,” showing that he was looking for a way to introduce foreign capital to the private sector via the method of railway mortgages and not railway nationalization (*Biographical Materials* 1955–65, vol. 21).

As the recession worsened, people started calling for relief for the private sector through nationalization of the railways. On December 25, 1901, the Tokyo Chamber of Commerce endorsed a “memorial concerning the implementation of railway nationalization,” thus expressing its intentions more clearly than ever before (*Biographical Materials* 1955–65, vol. 9). Three days later, on December 28, Shibusawa submitted comments to the *Tōkyō Keizai Zasshi* (Tokyo Economy Magazine), in an article titled “The railway nationalization issue and Baron Shibusawa” (Shibusawa was granted the title of baron in 1900), in which he displayed his cautious stance about the memorial. Shibusawa said that the worsening of the recession had given him no choice, as chamber president, but to accept the arguments of Amemiya Keijirō (1846–1911) and other railway capitalists in support of railway nationalization, as they had become the mainstream thinking in the organization, but that he dreaded the possibility of its implementation as that would impose a tremendous fiscal burden (*Biographical Materials* 1955–65, vol. 21).

Also, on January 1, 1902, Shibusawa wrote an article in the *Tōkyō Nichinichi* newspaper titled “The future of the business world,” in which he stated, “I believe that there are plenty of ways to introduce large amounts of foreign capital while maintaining private ownership of the railways, such as the issuance of corporate bonds by individual companies rather than the public bonds being advocated by today’s proponents of railway nationalization. Even without nationalization, foreign capital will come” (*Biographical Materials* 1955–65, vol. 9). Owing to his position as president of the Tokyo Chamber of Commerce,

which submitted the memorial, it is understandable that Shibusawa did not publicly express his opposition on the surface. But as an individual, he was always inclined toward keeping the railways in private hands, with the capital shortage of the private sector being relieved through the introduction of foreign capital.

Shibusawa had previously argued for the direct introduction of foreign capital to private companies in order to alleviate capital shortages in that sector. In response to the rising movement for railway nationalization, it thus became urgent for him to develop specific measures for the introduction of foreign capital to the private sector that would allow for the continuation of private railways. He thus started to take specific action toward realization of the proposal for the Railway Secured Bonds Act, a prerequisite for introducing foreign capital into the private sector.

## 6. Active involvement in the Railway Secured Bonds Act

### The role played by the Railway Secured Bonds Act

There has been extremely little research conducted on the Railway Secured Bonds Act to date. According to the only piece available of what might be described as research (Shimizu 1958), a provisional investment contract was signed at the outset of 1902 between Baring Brothers & Co., Ltd. on the one hand and the three Japanese railway companies of Kyushu Railways, Hokuetsu Railways, and Hankaku Railways on the other. At the end of February of the same year, Sir William Sinclair Smith Bisset (1843–1917), the former British railway commissioner of India, came to Japan to look into the investment environment. It is said, “Before his return to Britain, Bisset accompanied the presidents of Kyushu, Sanyō, and Hokuetsu Railways and Shibusawa Eiichi on a visit to Prime Minister Katsura Tarō, where he explained the necessity of the Railway Secured Bonds Act. Katsura recognized the need as well and pledged its enactment.” Additionally, “In May of the same year, Prime Minister Katsura handed Shibusawa the draft bill for the Railway Secured Bonds Act to take along with him on his trip abroad, requesting him to inform Britain of his desire to get the act passed in the next session of the Diet” (Shimizu 1958). It can thus be seen how important Shibusawa’s role was.

There is abundant evidence underscoring that process among the materials

contained in the Shibusawa archives. First of all, the following discussion by Shibusawa can be found among his reminiscences: “As the spread of railways is by nature the most important element for the development of regional industry, I would like to promote it all the more, but the lack of sufficient capital leads to my desire to be able to borrow from abroad. That is why I thought it necessary to make it possible for private railways to issue public bonds. It just so happened that I was to travel to the West in 1902, and I paid a visit to the financial company Baring Brothers along with Ichihara Morihiro, with whom I traveled to Britain, and Uemura Shumpei, whom I got acquainted with in London. The head of the company, John Baring [1863–1929], is also a member of the board of the Bank of England, so it seemed he was quite an influential person. When I mentioned railway mortgage-backed securities [secured public bonds], he agreed with me completely. I even had him write a memorandum concerning railway mortgage-backed securities, upon which I returned to Japan” (*Ryūmon zasshi*, no. 464).

#### Shibusawa's activities during his 1902 trip to Europe

Departing from Japan on May 15, 1902, Shibusawa spent the months of July to September of that year in Europe. During that time, he met Edward Baring (Baron Revelstoke; 1828–97), president of Baring Brothers, twice, to review the provisions of the bill for the Railway Secured Bonds Act, and had another meeting with Barings, his last, just two days before he boarded his ship back home (*Biographical Materials* 1966–71, Supplement vol. 2; Koyama 1996).

According to Shimizu Makoto, Baring Brothers, in response to the Japanese bill for the Railway Secured Bonds Act, drew up its own separate proposal, delivering it to both Shibusawa and the Kirby Birch Company on September 18. Barings said that it had attempted to meet Japan's hopes and expectations, as explained by Shibusawa, in the individual provisions of the proposal by making concessions to an extent not normally seen when ordinary British persons made investments at home or abroad. Baring Brothers went on to emphasize that it could not go any further in making such concessions and that only when such laws as the bill at hand were actually approved could it begin considering the start of lending activities to Japanese railway companies (Shimizu 1958).

#### Promulgation of the Railway Secured Bonds Act

After returning to Japan at the end of October 1902, Shibusawa immediately



Welcome party sponsored by graduates of the Tokyo Higher Commercial School during Shibusawa's visit to London, 1902 (Shibusawa on the left side in the back)

conferred with Prime Minister Katsura and other related parties, such as Communications Minister Yoshikawa Akimasa (1842–1920), and visited them frequently. This shows how energetically he worked toward presenting the bill for the Railway Secured Bonds Act before the Imperial Diet in December (*Biographical Materials* 1966–71, Supplement vol. 1). The bill for the Railway Secured Bonds Act was amended, substantially incorporating the arguments of Baring Brothers, and was passed by the Imperial Diet in January 1905 along with the Factory Secured Bonds Act and Mining Industry Secured Bonds Act, coming into effect in July of that year. At the same time, bills to revise the Industrial Bank of Japan Act and the Secured Bonds Trust Act were also approved in conjunction with them. Shibusawa himself said, “Although Iwasaki Yano-suke, Matsukata Masayoshi, and others were adamantly opposed to railway mortgage-backed securities [secured public bonds], I wanted to realize them whatever the cost, so I consulted with Inoue Kaoru, and in the end the bill was passed in the Imperial Diet” (*Ryūmon zasshi*, no. 464). This demonstrates how hard Shibusawa worked to get the bill enacted.

### A highly significant system

The system of loans secured by floating mortgages, including the Railway Secured Bonds Act, represented highly significant legislation in economic terms. According to Shimizu, “The system of loans secured by floating mortgages collectively treats the means of production—land, buildings, equipment and tools, superficies (surface land-use rights), leasehold rights, incorporeal property rights, etc.—of individual companies in the manufacturing, railway, and mining industries as a foundation . . . which is recognized as the target of the mortgage” (Shimizu 1958). Shibusawa was fully aware of that importance. Although these are not Shibusawa’s own words, it was written that “Traditionally in Japan, the individual objects owned by private railways could be treated as the targets of mortgages, but not collectively, which caused much inconvenience and disadvantages to the parties concerned. Since railways, in the first place, can only fix their value and derive effectiveness once their land, railroad lines, rolling stock, and other appurtenances are taken as a whole, it is difficult for their intrinsic value to be determined just by those individual objects alone, as it was at that time. Shibusawa desired for the enactment of the [mortgage-backed securities] law so as to remove that inconvenience, allowing for their use as security, in part, to gain the convenience of importing foreign capital” (*Biographical Materials* 1955–65, vol. 9). One can thus see that Shibusawa thoroughly understood the significance of the Railway Secured Bonds Act.

### The aims of the government

Nonetheless, the government had different intentions than Shibusawa’s when it undertook the enactment of the Railway Secured Bonds Act. For one thing, it packaged the Railway Secured Bonds Act together with the revision of the Industrial Bank of Japan Act. As Shimizu has written, “The government forced the drafting and approval of the bills as a unit in order to respond to the necessity of importing foreign capital” (Shimizu 1958). In that way, the government strongly intended to keep the foreign capital that was brought into Japan under its control by channeling it through the IBJ.

Another point of difference between the government and Shibusawa is illustrated by the following comment by Shibusawa:

Since the Railway Nationalization Act was promulgated a year later, in 1906, railway public bonds in the private sector came to a natural end. I still

believe, however, that the railways ought to be managed as private companies, as I think they would develop more under such a system than under nationalization. (*Biographical Materials* 1955–65, vol. 9)

As that shows, since the Railway Nationalization Act was soon approved, Shibusawa's hopes were crushed. This point was also mentioned in the biography of one of the promoters of railway nationalization during that period, Vice-Minister of Communications Den Kenjirō (1855–1930), who wrote, "The cabinet determined at a meeting that the bill for the Railway Secured Bonds Act would be passed in the current Diet and the railway nationalization bill postponed until the next time." This shows that the government was thinking about packaging the Railway Secured Bonds Act with the railway nationalization bill from the very outset (*Biographical Materials* 1955–65, vol. 9).

As the government, military, and business world were all working in tandem to realize it, Shibusawa was unable to fight back against the trend toward the nationalization of Japan's railways. In February 1906 he reluctantly announced his approval of the established policy of the government, saying, "It is a policy that I and others had opposed at first, but now I suppose that I have no choice but to consent to it" (*Jiji Shinpō*, February 10, 1906). The Railway Nationalization Act was passed by the Imperial Diet on March 27, 1906, on the final day of the session, and promulgated on March 31 of the same year. Acquisition of the private railways began immediately, and all 17 of the country's private railway companies had been bought up by March 1907 (Oikawa 1996).

### Shibusawa's criticism of nationalization

Although Shibusawa apparently had come round to agreement with the railway nationalization policy, immediately after the bill was passed he once again started criticizing it through many channels. For instance, in June 1908 Shibusawa commented that although he himself had insisted upon the introduction of foreign capital through the Railway Secured Bonds Act, "Most regrettably, the railways were nationalized right away, so the introduction of foreign capital has not been realized" (*Ryūmon zasshi*, no. 241; *Biographical Materials* 1955–65, vol. 9). Also, he clearly stated in newspapers as well that "it was the wrong policy to nationalize the railways" (*Tōkyō Nichinichi*, November 27, 1908).

After nationalization, the management of the railways became less efficient than it had been previously, making them unprofitable and severely delaying

redemption of the public bonds purchased (Oikawa 1996). Shibusawa wasted no time in scathingly criticizing the deficit-ridden budget structure of the Japanese National Railways stemming from the inefficiencies resulting from government mismanagement.

As shown above, a chronological arrangement of Shibusawa's comments shows that he was basically against railway nationalization from beginning to end. What he had been seeking was the maintenance of the railways' autonomy by keeping them privatized, introducing foreign capital to individual companies through the Railway Secured Bonds Act, and working for their recovery by improving the competitiveness of the private sector.

Shibusawa had the same opinion as the government and other businessmen concerning the general framework of implementing an easy-money policy through the introduction of foreign capital, but he completely differed from them over the method of implementation. The government hoped to control and regulate the introduction of foreign capital to the private sector through the IBJ, the military prioritized its own affairs in favoring the Railway Nationalization Act, and those involved in the railway business saw nationalization as an easy rescue measure for the private sector. As a result, though their intentions seemed similar, the outcome was actually quite incompatible with Shibusawa's own vision (Asai 1975).

## **7. Expectations of the private sector and frustrations**

The final section of this chapter summarizes what Shibusawa was thinking and what he accomplished in the period encompassing the Sino-Japanese War and the Russo-Japanese War, which was a major turning point in Japan's history.

### **A fruitless idea**

The period following the Sino-Japanese War was one of prolonged economic recession due to the depression resulting from the government's deficit-financing policy emphasizing the military and its restrictive monetary policy that put priority on maintaining gold reserves. Shibusawa felt a growing sense of crisis about the future of the Japanese economy because of the adverse circumstances that continued to plague the private sector stemming from the government's expansionist fiscal policy and the underlying tone of military expansion. Clear-

ly conscious of the changes in the environment surrounding the economy, he was strongly aware of the need for radical reform. Feeling that private-sector capital in Japan needed to gain genuine international competitiveness, Shibusawa vehemently insisted that easy private-sector rescue measures would only worsen the constitution of companies on the receiving end.

As effective monetary policies could not be expected, however, the government and business world shared an awareness that some sort of reflationary measures were needed to prevent the extended recession from becoming further prolonged. In response to demands on the part of the private sector for recessionary countermeasures, the government procured capital from bonds issued overseas and supplied it to the private sector, specifically focusing on the concrete program of railway nationalization. Nonetheless, each party had different expectations concerning how to inject foreign capital into the railways. While the government was inclined toward controlling private-sector bonds issued overseas through the IBJ so as not to impede Japanese government bonds floated overseas, most of the Japanese business world, with the exception of Shibusawa, desired direct relief in the form of railway nationalization. In response, Shibusawa's vision was to organize and improve the country's legal system, introduce a mortgage-backed securities system, and then implement monetary relaxation and strengthen Japanese companies through the introduction of foreign capital into the railways.

Shibusawa himself took direct action and put together the railway secured bonds bill that was enacted. At the same time, however, the IBJ was given control of the foreign capital flowing into the private sector and railway nationalization was also carried out, thus rendering Shibusawa's vision ineffectual and fruitless.

### **Setting bad precedents**

As demonstrated above, Shibusawa felt a strong sense of crisis about the future of the Japanese economy after the Sino-Japanese War and strongly appealed for Japanese companies to undergo structural transformation. Contrary to his hopes, however, the supply of excess money after the Russo-Japanese War through the large-scale introduction of foreign capital and railway nationalization actually triggered positive investment in newly rising industries, enabling favorable economic conditions to continue on the back of Japan's third historical wave of the establishment and emergence of many companies.

While the sudden growth of new businesses in a sense demonstrated the vigor of the new Japanese economy in a way that exceeded Shibusawa's expectations, at the same time some bad precedents were established—namely, the burden created by a tremendous reliance on overseas bonds and, as symbolized by railway nationalization, the private sector's reliance on the government's relief in hard times. Owing to the implementation of policies that hid serious problems, as well as the economic upturn, Shibusawa's call for structural reform to enable Japanese companies to compete internationally fell on deaf ears.



## Chapter 5

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# Contribution to Nation Building through Social and Public Enterprises



Hasunuma Monzō (left) and Shibusawa,  
January 1926

Although Shibusawa was involved in the establishment and management of many companies, he is said to have been connected to an even greater number of social and public enterprises, numbering about 600 organizations in total. So far his support for such social enterprises, as well as for education, arts, scholarship, and so on, has only been researched separately in each field; no detailed studies have been made encompassing his activities in their entirety.

Shibusawa supported many organizations from an early stage and over the long term, including in their management, but there were also organizations to which he gave only temporary financial support through donations and the like. While he supported some organizations on account of ties deriving from a certain relationship, others were one-off encounters. As it would be difficult, in terms of the space allotted in this book, to make an attempt to comprehensively and analytically introduce every single one of them, this chapter instead introduces typical examples of social and public enterprises to which Shibusawa gave his support, both morally and materially, over a relatively long period of time, including in their management. The focus is on those social activities with which Shibusawa, while involving himself in the business world, was actively connected because he felt them to be absolutely necessary components of society.

Table 2 presents a compilation of all the organizations, both social and public, with which Shibusawa had some connection, as gleaned from the indexes of

**Table 2. Companies and public enterprises in which Shibusawa was involved**

Nature of enterprise	Before May 1909	June 1909 to November 1931	Total
Social enterprises (incl. management-labor relations, “harmony” enterprises)	25	68	93
Moral and religious groups	16	64	80
Business education	20	23	43
Female education	5	22	27
Other educational activities	33	56	89
Academic and cultural	25	30	55
Total	124	263	387

Source: Shibusawa Eiichi Memorial Foundation, Ryūmonsha, ed. *Denki shiryō* (Biographical Materials), vol. 58 (index), 1965.

Note: The above list does not include activities related to international friendship, record-taking, or editing. Also, preretirement activities that Shibusawa continued after his retirement in 1909 are excluded from the postretirement count.

all 58 volumes of the *Biographical Materials*. When those related to goodwill activities, guest receptions, honors and commemorations, and editing are excluded, the number of organizations drops to a little less than 400. This chapter makes an overview of the major organizations among them, introducing their approaches and methods.

## 1. Strong interest in practical education

At the beginning, let us take a bird's-eye view of Shibusawa's support for educational institutions. While only an exceedingly simple introduction will be made here, his support in the field of women's education, specifically that for Japan Women's University (established in 1901 by Naruse Jinzō [1858–1919]), is already well known. He continued to support the management of that university, the first higher educational institution for women in Japan, through such activities as making direct contributions, donating a dormitory, going on a fundraising lecture circuit outside of Tokyo, and creating a foundation for the organization. Meanwhile, at the Tokyo Jogakkan School for Young Ladies, which was founded in 1888, he established the Society for the Promotion of Girls' Education with Itō Hirobumi, becoming its fifth president in 1924.

### Support for the establishment of a commercial university

In the field of practical education, Shibusawa, while supporting commercial schools across the country, also organized the forerunner of what eventually became a governmental school and the predecessor of today's Hitotsubashi University (Shimada 2006; Kikkawa, Shimada, Tanaka 2013). The Tokyo Higher Commercial School began in 1875 as a private school known as the Business Training School, with William Cogswell Whitney (1825–82), principal of the Trenton Business School in New Jersey in the United States, brought in as a teacher. The following year, in 1876, the school was placed under the jurisdiction of the Tokyo prefectural government and then, in 1884, under the Ministry of Agriculture and Commerce, when it was renamed the Tokyo Commercial School. In 1885 it was placed under the jurisdiction of the Ministry of Education and renamed the Higher Commercial School, with its name changing again in 1902 to the Tokyo Higher Commercial School. The first class of students graduated from the school in 1889 (Miyoshi 2001).

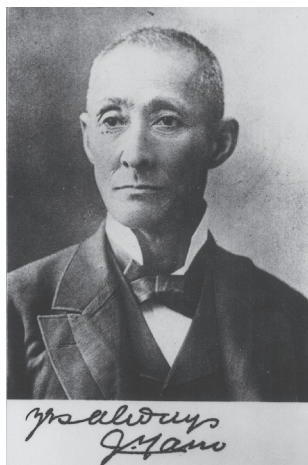
Although Shibusawa realized from the beginning that merchants needed to learn about and manage businesses by themselves, he had never gone so far as to think about having that done specifically through education at schools. His association with the Tokyo Commercial School stemmed from the fact that it received support from the Tokyo Chamber of Commerce, of which he was chair (Shibusawa Kenkyūkai 1999).

Once the school had been established, however, Shibusawa himself took action and supported it financially. The Tokyo prefectural government halved the budget allocated to the school in 1879 and rejected the disbursement of any funds for the school's expenditures in 1881. Shibusawa then helped collect donations for the school and also negotiated with the national government so as to let it receive subsidies from the Ministry of Agriculture and Commerce. During that period, on account of such things as a proposal to combine the school with the Mitsubishi Commercial School and the refusal of students from the University of Tokyo to join private companies as it was "beneath their dignity," Shibusawa increasingly felt the need to establish independent commercial education (Shibusawa Kenkyūkai 1999; Sakudō and Etō 1975).

### Practice-oriented education

Besides such motives, a major reason for Shibusawa's continued support for the Tokyo Higher Commercial School was his sympathy with the ideals of practical education as espoused by Yano Jirō (1845–1906), the school's principal. As a former retainer of the shogunate, Yano had traveled to Europe and was conversant in English. Although he had assumed leadership of the Business Training School in 1876, he was forced to leave it temporarily before returning later and remaining as principal for more than 16 years until 1893 (Miyoshi 2001).

As for the school's educational policy, the list of its subjects in 1876 included English, English grammar, pronunciation, business arithmetic, bookkeeping, other commercial transactions, and commercial practices. As the curriculum was modeled after that of commercial education at a chain of commercial colleges in the United States, a bank, post office, bank brokerage, commodities brokerage, insurance company, and merchandise wholesaler were set up on site to conduct practical training. The curriculum concentrated on the study of written forms necessary for use in commerce, along with practical training, with regular classes given in English by foreign teachers and primarily British and American books used. Rather than engaging in abstract discussions



Yano Jirō, principal of the Tokyo Higher Commercial School

and debates, students were instead encouraged to make field trips to such places as the Tokyo Chamber of Commerce and the stock exchange (Miyoshi 2001; Sakudō and Etō 1975). Shibusawa thought highly of Yano's educational direction and its emphasis on practice (*Biographical Materials* 1955–65, vol. 26; Miyoshi 2001).

However, a group of so-called reformers within the school, who stressed academic study, increasingly criticized the incremental and traditional style of commercial education emphasizing English, bookkeeping, commercial composition, and practical training, leading to a boycott movement that forced Yano to resign. Behind their move was dissatisfaction with the

positioning of higher commercial schools one rank below that of imperial universities, whose goal was the fostering of superior officials. The 1896 curriculum revision contained major changes aiming to approach more closely the distribution of courses in imperial universities, including the discussion of such subjects as civil law, commercial law, finance, commercial science, and mechanical engineering as independent courses. Also, business ethics was included at the same time as a regular subject (Miyoshi 2001; Sakudō and Etō 1975).

### Moves toward the apex of practical education

After the departure of Yano as principal, Shibusawa continued to involve himself in the school through various difficult phases. In opposition to the idea held by some at the school who were strongly conscious of the Tokyo Imperial University and were calling for an equivalent level of education, Shibusawa had consistently appealed for the elevation of the status of commerce and industry since the beginning of the Meiji period, putting priority above all else on how the position of those engaged in these fields could be brought up to the same level as that of governmental officials, so he continued to give the school support. For that reason, he was one of the promoters of the movement to raise the status of the school to that of a university of commerce, which would give it the same status as the imperial universities, and he tenaciously worked

toward that goal.

Shibusawa continued to strongly appeal for the raising of the status of commercial schools to that of universities even in the face of opposition from among the membership of the Tokyo Chamber of Commerce. One person wrote, “At the time, Baron Shibusawa was the most ardent proponent among Chamber of Commerce members for raising the status of the Tokyo Higher Commercial School to that of a university of commerce, but the ideas of the other members did not necessarily concur with his. That is to say, various company executives among the membership, including Masuda Takashi [1848–1938] of Mitsui & Co., Ltd. and Kondō Renbei [1848–1921] of Nippon Yūsen, did not recognize the need for a university of commerce. Masuda, particularly, argued that those who had received school education and aspired to engage in business would likely get enough grounding by having graduated from the regular course of the current higher commercial school and that it was necessary to get them to start working at as early an age as possible” (*Biographical Materials* 1955–65, vol. 26).

Shibusawa felt that rather than past experience, new knowledge was necessary for the development of commerce and industry and for elevating the status of businesspeople. He believed that there could be no development unless success in commerce and industry led to social honor. At the same time, though, Shibusawa insisted that just flaunting one’s learning would not lead to business success, and he emphasized the importance of character and reason in making use of that learning.

In 1908 and 1909 the so-called Shinyū incident occurred, stemming from frustration with the attempt to elevate the school’s status to a university. While those on the side of the Tokyo Higher Commercial School had hoped for the establishment of a freestanding university of commerce, the Education Ministry instead promoted the idea of expanding the law faculty of the Tokyo Imperial University to include a course in commercial science and decided to abolish the Tokyo Higher Commercial School’s two-year upper course. In opposition to that decision, the entire student body announced that it would withdraw from the school (Miyoshi 2001).

The person who took action to resolve the incident was, as might be expected, Shibusawa. Together with the Tokyo Chamber of Commerce and the Parents’ Guarantor Society, he moved to encourage the students to be readmitted to the school and directly persuaded them. At the same time, several alumni

close to Shibusawa, including Yasojima Chikanori (1873–1920) and Horikoshi Zenjūrō (1863–1936), also tried to persuade them. Subsequently the idea of establishing a university of commerce was intermittently raised, with opinions conflicting over whether or not to merge with the Tokyo Imperial University, but the Education Ministry would not budge from its basic policy of implementing a merger with that university. The deadlock continued until the implementation of a ministerial ordinance recognizing the establishment of colleges in addition to the imperial universities, which opened the way to the school's upgrading to the Tokyo University of Commerce in 1920 (Sakudō and Etō 1975).

### Shibusawa's vision of the business elite

What did Shibusawa expect from the students of the Tokyo Higher Commercial School? He repeatedly mentioned the need to actually apply advanced learning in the world of business, saying at a graduation ceremony, "All of you, now that you have carried out meticulous studies to the best of your abilities, must demonstrate the actual need for learning and make it publicly known that one cannot make profits unless one is a person who has studied" (*Biographical Materials* 1955–65, vol. 26). Once the Taisho period (1912–26) began, however, he started to warn severely against an overemphasis on students' learning, saying, "I believe that both devotion and filial piety are important. Unless one is ready to emphatically refine those aspects while honing one's knowledge, in the end a person will only become more frivolous and cunning as such knowledge advances." He also said in October 1917, "I believe that the style of education that rushes to advance knowledge has quite considerably dissipated the feeling of piety toward one's parents" (*Biographical Materials* 1955–65, vol. 44). Shibusawa started to strongly worry about the fact that the learning and knowledge that students received at the Tokyo Higher Commercial School, as its status was elevated, were not being applied reasonably and correctly in actual business, and he started to take action to correct their lack of a sense of morality toward society as a whole.

## 2. Support for private commercial schools

Besides the Tokyo Higher Commercial School, which could be described as the

apex of commercial education in Japan, Shibusawa also passionately showed up at entrance and graduation ceremonies for various levels of commercial schools to give words of encouragement to young students (see table 3).

### The Keika Middle and Commercial Schools

Let us take a look at the cases of the Keika Middle School and Keika Commercial School. The middle school was founded in 1897 by Isoe Jun in what is now Yushima in Bunkyo-ku, Tokyo. It was the fourteenth private school to be opened in Japan. When it was opened, the school received moral support from such important figures as Shinagawa Yajirō (1843–1900) and Asano Nagakoto (1842–1937) and also obtained economic support from well-known local personalities. For instance, Fukuhara Yoshinobu (1848–1924), the founder of Shiseidō, donated huge amounts of capital, including providing the funds for the construction of a new school building in Ochanomizu. (The following information is taken mainly from the centennial history of Keika Gakuen).

The first head of the school was Tsuda Mamichi (1829–1903), a politician famous as a member of the Meirokusha, an enlightenment organization for modern society. He served as the school's principal for six years until his death in 1903. Isoe was the first director and, after Tsuda's death, became the school's second principal, serving in that position for 35 years until his death in 1938. The school was first located in rented buildings that had originally been used for displaying and selling wares. Despite the considerable coarseness of the facilities, however, many prominent persons taught there. For example, the excellent roster of faculty members included Inoue Enryō (1858–1919, founder of Toyo University), Honda Kōtarō (1870–1954, president of Tohoku Imperial University), and Okamoto Sakura (1878–1935, a doctor of engineering and vice-president of Tokyo Gas).

In the school's first year, 199 students matriculated, but the size of the student body expanded to 587 six months later. Most of the first graduates in 1899 progressed to further studies at such schools as the First Higher School, national vocational or professional schools, and the Army Military Academy. Afterward, signifying the school's healthy development, the number of applicants increased in a stable manner, with the annual graduating class constantly numbering 100 or so students. Some 50%–60% of the students in the graduating class advanced to higher schools for further study, with around 20 students each year passing the entrance examinations for governmental schools, such as

**Table 3. Complete list of commercial schools, etc. with which Shibusawa was associated in some way**

Year	Name of school	Type of involvement
1892	Private Tokyo Commercial School	Speech at 2nd graduation ceremony
1898	Ōkura Commercial School	Becomes founding member of school
1900	Ōkura Commercial School	Speech in attendance at school opening ceremony
1900	All-Japan Regional Commercial School Principals' Conference	Speech
1901	Ōkura Commercial School	Lecture to students
1901	Asano Commercial Continuation School	School opening ceremony speech
1903	Ōkura Commercial School	Speech at 1st graduation ceremony of special course students
1903	All-Japan Regional Commercial School Principals' Conference	Speech
1904	Keika Commercial School	Speech to students (read by someone else on his behalf)
1906	All-Japan Vocational School Principals' Conference	Lecture
1906	Ōkura Commercial School	Speech upon visit of British parliamentarian to school
1906	Ōkura Commercial School	Speech at 8th graduation ceremony of special course students
1907	Ōkura Commercial School	Remarks at 4th graduation ceremony
1910	Tokyo City Education Society Vocational School	Assumes position of honorary advisor
1910	Yokohama Commercial School	Speech
1910	Keiō Gijuku Commercial School	Congratulatory speech on school's 20th anniversary
1910	Takachiho Commercial School	Attendance at framework completion ceremony of new school building
1911	All-Japan Regional Commercial School Principals' Conference	Speech
1912	Takachiho Commercial School	Opening of Higher Commercial School
1912	Tokyo Municipal Commercial School	Lecture to students
1912	Chūō Commercial School	Speech at 10th anniversary party of school's founding
1913	Kyōka Commercial School	Speech at social gathering for parents
1913	Ōkura Commercial School	Celebratory speech at 77th birthday party of Ōkura Kihachirō
1914	Takachiho Commercial School	Attendance at lecture meeting
1915	Takachiho Commercial School	Speech at graduation ceremony
1916	Ōkura Commercial School	Speech to students at ceremony marking first day of school; lecture for alumni association magazine

Source: Compiled based on Ryūmonsha, *Shibusawa Eiichi: Jigyō nenkan* (Shibusawa Eiichi: Annual report of enterprises). Tokyo: Kokushokankokai, 1985.

Note: References to the Tokyo (Higher) Commercial School are excluded.

the First Higher School. The Keika Middle School thereby established a reputation, along with the Azabu and Kaisei schools, as one of the best preparation schools for getting into university.

### One of the top commercial schools

The school's curriculum put an emphasis on grounding in business morality. While many of the students in Japan's middle schools at the time wanted to go on to further schooling, there were also quite a few who wanted to enter the world of business. Following the Vocational School Ordinance of 1899, the Keika Commercial School therefore opened in 1901. The first head of the school was Maeda Masana (1850–1921), a former vice-minister at the Ministry of Agriculture and Commerce who was well known for his efforts in the Local Improvement Movement of 1900–18. Maeda served as honorary school principal until his death.

As for the nature of the commercial subjects taught, the class on “Commercial Practice” was characterized by the use of newspapers and the like to study commodities exchange markets, with students marking down fictional trades in ledgers and making the proper documents. In the classes entitled “Overview of Commercial Affairs” (later renamed “Commercial Economics”) and “Commercial History,” texts were used in their original English, such as the UK edition of *Business Training* and *Pitman's Commercial History* by J.R.V. Marchant. In the class entitled “Product Studies,” which basically involved the writing of a graduation thesis, students spent their summer vacations making on-site investigations of a certain product of their choosing (working at factories, making product posters, making inspection tours of industries, drawing up statistical diagrams, evaluating products, and so on), after which they summarized their findings in a thesis.

A large segment of the students in the first year's entering class came from merchant families from downtown markets and riverside fish markets. Of the 62 members of the 1915 graduating class, 24 went on to work for themselves, 15 found employment in companies and the like, and 9 went on to further studies at higher commercial schools and elsewhere (specifically, four to Keio University, two to Waseda University, two to Meiji University, and one to Otaru Higher Commercial School). The number of students in 1920, including both the regular and preparatory courses, was 782. Keika Commercial School claimed to have “grown to be one of the top commercial schools in the Tokyo area,”

and its accomplishments show that such an expression was by no means an exaggeration.

### **Forcefully arguing for a society that emphasizes commerce and industry**

Shibusawa seems to have frequently appeared and given speeches at various ceremonies and other events. The proxy manuscript of one of his speeches given early on, from a 1904 graduation ceremony, remains with us today. According to this manuscript, he argued for the necessity of commercial education in Japan, saying, "I especially expect a lot from you students of this Keika Commercial School" (*Biographical Materials* 1955–65, vol. 27). Pointing out the tendency in Japan to belittle the importance of commerce and industry, he went on, "Since most people think that a nation can continue to be maintained as long as there are politics, armaments, and laws, all the intelligent people among the public have exerted efforts in that direction." In contrast, he said, "Above all, the United Kingdom is the most outstanding of all countries, and its main principles are not just war preparations, laws, and education but the idea that the country will not advance unless the wealth of the whole nation increases. Believing that commerce is necessary, it has invested much energy into commerce and industry for that purpose." Shibusawa continued, "Our country must put its greatest efforts into commerce and industry." He strongly contended that Japan had to learn from the West and build a society that regarded these two things as important (*Biographical Materials* 1955–65, vol. 27).

Shibusawa went on to restate his thoughts, saying, "If asked whether business is central or peripheral, I believe it is central. I would like to make this country prosperous, with business as the main activity and politics and the military assisting it." Shibusawa thus spoke of his ideal view of the nation as being led by the private sector and argued for the development of the human resources suitable for that purpose. The following comments illustrate his standpoint. For example, he emphasized the need to have an international outlook, saying, "Merchants in Japan are no good because they are neither worldly nor public-minded and are only satisfied with their own businesses. They have to start looking more and more to the United States and elsewhere." Furthermore, he advocated team spirit in his speech, saying, "Something that is really deplorable recently is the lack of the spirit of a majority consensus. . . . When a Japanese person is alone, he or she has wisdom, but when three or five or a lot of people are discussing, nothing gets done." He added, "I would like you to

work hard and nourish joint strength.” The end of the speech contained the recognizable beginnings of what became his later emphasis on developing a moral and ethical sense. He said, “Another thing is to prudently be faithful to one’s principles” and “I believe that unless one fosters strong beliefs, it will be impossible to accomplish sound work once you enter society” (*Biographical Materials* 1955–65, vol. 27).

Thereafter, Shibusawa accepted invitations to speak at graduation ceremonies and social gatherings for students’ parents at which he continued to argue the need for character building, an emphasis on practical education, and study to gain wisdom.

### The Ōkura Commercial School and Higher Commercial School

Next let us look at the Ōkura Commercial School, which opened a little after the Keika Middle School. The Ōkura Commercial School was begun in 1900 as the first commercial school in Tokyo to be approved by the Education Ministry. (The following information is taken mainly from the 80-year history of Tokyo Keizai University.) At that time, there were only two medium-level commercial schools in Tokyo—Chūō Commercial and Tokyo Commercial (night course)—so this school was a pioneer among medium-level commercial schools in Tokyo (*Biographical Materials* 1955–65, vol. 26).

It is said that Ōkura Kihachirō (1837–1928), who led the school’s establishment, at first entertained the idea of establishing a private school for poor people, but Itō Hirobumi opposed it, saying that such a school would be difficult to maintain. So the proposal was changed to the establishment of a commercial school. In making the switch, Ōkura expressed the fear that if foreigners began to live in Japan as a result of the revision of the unequal treaties, Japanese would be overwhelmed by the commercial knowledge and acumen of foreign merchants. Believing that the small number of governmental commercial schools would be unable to foster a sufficient number of personnel, he came up with the plan to establish a commercial school (*Biographical Materials* 1955–65, vol. 26).

The members of the committee drafting the proposal for the endowment certificate and school statutes included such scholars as Ishiguro Tadanori (1845–1941, founder of army surgery in Japan), Watanabe Hiromoto (1848–1901, politician, bureaucrat, and educator), Shibusawa’s son-in-law Hozumi Nobushige (1855–1926, head of the Tokyo Imperial University’s law depart-

ment), and Koyama Kenzō (1858–1923, principal of the Tokyo Higher Commercial School), as well as such businessmen as Shibusawa and Ōkura (financer of the Imperial Hotel). Although Hozumi had been the central person behind the implementation of civil law and the development of Japan's legal system, including the concept of legally incorporated foundations, this was his first time to be involved in the establishment of a school through such a foundation, so using this framework was a bit of a test. In the end, Ishiguro, who had been the surgeon general of the Imperial Japanese Army and a privy counselor, became director of the school foundation, with Watanabe, who had been first president of the Tokyo Imperial University, brought in as the school's first president. The annual school expenses far exceeded the revenue from tuition fees, which were set much lower than those of other schools. It can truly be stated that the school came into being thanks to the support of Ōkura. When the school opened in 1900, the initial student body size was set at 200. A special evening course began in the following year. The size of the student body had expanded to more than 1,000 by the beginning of the Taisho period in 1912.

The selection of faculty was consigned to the Tokyo Higher Commercial School, and new graduates hired from that school constituted the entire teaching staff in specialized fields of commerce. Naturally, the teaching methods and systems of the Tokyo Higher Commercial School, including its English-first policy, were transplanted lock, stock, and barrel. Also, the school's regular course adopted a four-year program of study, despite most commercial schools following a three-year program. As far as its curriculum was concerned, the statutes of the school read, "This school is a place where primarily practical commercial education is administered to those aspiring to engage in domestic and international commerce," which shows that the education carried out there was indeed for the purpose of industries that would enrich the country.

#### **"Learning is necessary for business"**

Shibusawa frequently addressed various ceremonies as a supporter of the Ōkura Commercial School. At the school's opening ceremony in 1900 he argued for the necessity of modern, sophisticated commercial education, saying, "I firmly believe that learning is necessary for business" and "I am a person who strongly yearns for the raising of the status of commercial schools to universities no matter what." Additionally, his expectations toward and demands for the school are easily understood by the following comments: "Mr. Ōkura told me—

and I myself am of the same judgment—that he wants to create businessmen for Japan and not for himself” and “Merchants should not [aim to] be commonly described as ‘clever’ but rather as persons that others can feel easy about” (*Biographical Materials* 1955–65, vol. 26).

As for what the students did after graduation, a look at a list of the alumni from 1916 shows that 172 of the 217 students in the regular course—around 80%—got jobs in governmental ministries and agencies, banks, insurance companies, and ordinary companies, while 480 of the 620 graduating from the night course, or 77%, found jobs. Of the graduates of the regular course who gained employment, such companies as the Ōkura-gumi, Mitsui, Sumitomo Bank, Mitsubishi, and Takashimaya-Iida were prominent. Although this graduating class is just one example, one can catch a glimpse of the high estimation that the commercial schools had from corporations at the time.

### Supplying high-quality midlevel managers to companies

In Shibusawa’s speeches during this period, he said such things as the following: “I don’t expect every single one of the students of this Ōkura Commercial School to be geniuses. However, the nation is only strong because many people have complete characters as well as spirit and intelligence. . . . The true soundness of a nation rests in its midlevel society.” Those exhortations were given at the opening ceremony of the school in 1916 (*Biographical Materials* 1955–65, vol. 26). Also, in November 1920, at a ceremony commemorating the twentieth anniversary of the school’s opening, he said, “In that respect, this school has a suitable mechanism for enabling students to acquire both academic learning and practice.” He added, “The fact that it has put forth 2,600 graduates in 20 years, combined with the 1,600 students currently studying here, is a truly astonishing development.” Those comments suggest that while the graduates of the Ōkura Commercial School were not necessarily expected to fill the role of top management at big companies, they did serve to provide the large numbers of well-qualified midlevel management that were required.

In 1919 the Ōkura Commercial School launched a new higher-level school called the Ōkura Higher Commercial School. Also, in 1923 it instituted a general course at the level of a first-class commercial school for those qualifying with a graduation certificate from a higher elementary school. Owing to these improvements, it was able to organize a commercial education system comprising a higher commercial school, a first-class commercial school (for those

graduating from higher elementary school or above), and a second-class commercial school (for those graduating from ordinary elementary school or above). The reason for the establishment of a higher commercial school, it was recorded, was the elevation of the status of the Tokyo Higher Commercial School in 1920 to the Tokyo University of Commerce (Tokyo Keizai University). The aim of the school's students in further education had been, more than anything else, the Tokyo Higher Commercial School, and they had a high success rate in admissions. The top of the class was said to have always been an Ōkura graduate. It was also written that "As the Ōkura Commercial School was directly connected to the Tokyo Higher Commercial School, which was at the apex of the field of commercial education [in Japan], its position was that of a virtual sister school. This was probably an important foundation of the Ōkura Commercial School's awareness of being a top prestige school."

### 3. Shibusawa's contributions to social enterprises

#### Retirement from the business world

In 1916, on the occasion of his 76th birthday, Shibusawa resigned from his post as president of the First Bank, thereby completely withdrawing from the front line of the business world. After his retirement, he identified three remaining activities in which he would be engaged, namely, the conformity of economics with morals, harmonization between capital and labor, and the integration of relief measures for the poor (*Jiji Shinpō*, January 1, 1918, reprinted in *Ryūmon zasshi*, no. 357). In the remaining decade or so of his life, Shibusawa energetically involved himself in these three issues. For him, they were themes that he had been addressing virtually throughout his whole life but remained incomplete. They were also serious and major issues that Japan faced as a result of its frantic race toward the building of a modern nation.

A look at Shibusawa's later activities shows that the specific efforts listed above came to be practiced in the following ways: The idea of the conformity of economics with morals led to outreach efforts through Ryūmonsha and other organizations for the theory of the union of morals and the economy, as well as support for various types of "character-building groups"; the idea of harmonization between capital and labor led to the establishment of the Cooperation Society (Kyōchōkai) and support for its subsequent activities; and the idea of

the integration of relief measures for the poor led to various social welfare enterprises, including the Tōkyō Yōikuin facilities. While such efforts were individually separate from one another, they were essentially rooted in the structurally inherent contradictions of modern capitalism. In the second half of the Taisho period, following World War I (1914–18), Shibusawa regarded society itself, with its enormous transformations, as the problem, characterized by the strife resulting from the extension of Western imperialism and the influence of Marxism, among other factors. The three areas mentioned above were no more than spheres in which such problems raised their heads in the most straightforward manner. Shibusawa was greatly troubled by how to interpret the basic causes of social change and how to respond.

#### **Working for the redistribution of wealth**

Let us look first of all at social enterprises. Shibusawa explained why entrepreneurs ought to commit themselves to them, saying, “One should be aware that one’s success, in part, owes something to society. If one always takes the initiative and is committed to social relief and public enterprises, society will increasingly become sounder and healthier, while one’s asset management, at the same time, will increasingly become more solid.” That thinking is a reflection of his theory of the union of morals and the economy, in which the redistribution of wealth through social enterprises would profit society and recirculate through the economy (Kajiyama 1985).

#### **Serving as head of the Tōkyō Yōikuin welfare facilities**

A typical social enterprise of Shibusawa’s that was based on such thinking was his management of the Tōkyō Yōikuin welfare facilities. After the Meiji Restoration of 1868, the reserve funds of town meeting places set up in the Edo period to help the poor were taken over by the Tokyo prefectural government, which decided to use them to improve Tokyo’s infrastructure. The Tokyo Chamber was launched in 1872 for this purpose, and Shibusawa became its chairman in 1874. As a countermeasure against poverty, the Tōkyō Yōikuin began at the same time as one of the Tokyo Chamber’s projects. In 1876 the operations of the Tokyo Chamber were all transferred to Tokyo Prefecture, and the Yōikuin facilities went directly under the jurisdiction of the Tokyo prefectural government. Although his title may have changed, though, Shibusawa continued to serve as the head.

The actual manager of the Tōkyō Yōikuin facilities was Adachi Kenchū (also known as Noritada; 1857–1930). The facilities included (a) the Inokashira School, which emphasized agriculture and industry and separated delinquent and ordinary children; (b) the Katsuyama Convalescent Home in Chiba Prefecture, which was a sanatorium for infirm children with tuberculosis and other illnesses; and (c) the Sugamo Branch for ordinary children. Despite the increasing differentiation and formality of the institutions, they all remained as one community bundled together as a whole (Yamana 1999).

#### **Arguing for the absolute necessity of goodwill enterprises**

Shibusawa believed that involvement in philanthropic enterprises was an activity that businessmen, who were playing a key role in the nation, should do as a matter of course. He tried to discover the best way in which businessmen could do their jobs naturally in conjunction with philanthropic enterprises. Tokyo Prefecture sold off almost all of the land held by the Tokyo Chamber and invested the proceeds in a fixed-deposit account bearing 6% interest at the First National Bank. It also entrusted the bank with the accounting. A mechanism was developed whereby various types of public bonds were purchased to set up a fund, with the interest income then used to manage the social welfare facilities (Naganuma 1999). Based on this model, the funds of several social-enterprise organizations were preserved and managed at the First National Bank, with some supported by a contract guaranteeing a high interest rate of 9% annually. Another organization supporting the social welfare facilities was the Yōikuin Philanthropic Society, composed of businessmen as members and run on a paid-membership basis. Shibusawa believed that economic prosperity would be impossible if the weak members of society continued to be neglected.

In time the social welfare facilities came to acquire the characteristic of serving people who found it hard to work. Having developed in a way that focused on the issue of children's treatment, with lessons given to disabled children in such areas as acupuncture and massage, they also left a significant mark on education leading to the social involvement of the disabled (Hirai 1999).

## **4. Attempts to integrate ideologies and eventual frustration**

Shibusawa felt a deep sense of crisis concerning society as a whole but had no

ready answers to resolve it. Unlike his approach to business, he attempted to coordinate the different views of society held by its many different constituent members, involving himself in a large number of organizations. As he could not find immediate cures for society's problems, he formed his ideas or ideology through exchanges with the various people gathering there, searching and feeling for an appropriate way to act. The groups with which he was most deeply involved were the Association Concordia, which endeavored to find points of agreement between different ethics and religions, and the Cooperation Society, which aimed to find a new course for labor-management relations. Let us trace Shibusawa's ideas and actions through his efforts to mediate disputes and organize courses for workers in the style of the Shūyōdan character-building organization.

#### **Establishment of the Association Concordia**

The Association Concordia was established in 1912 with the aim of promoting understanding and cooperation among differing religions and “creating a current of thought that contributes to the civilization of the nation” (Okita 1999). Originally the organization is said to “have been started with a proposal in 1911 by Naruse Jinzō, who talked with Viscount Shibusawa and my predecessor Baron Morimura Ichizaemon [1839–1919]” (*Biographical Materials* 1955–65, vol. 46). Naruse, the founder of Japan Women's University, made an appeal to Shibusawa and Morimura, and preparatory meetings were held starting around 1911 for the purposes of “the improvement of the contemporary current of thought” and “the unification of religions” (Takahashi 2002). It was also rooted in the expectations of those in the ruling class, including the politician Tokonami Takejirō (1866–1935), that, amid the background of such clamorous social events as the high treason incident of 1910 (an alleged plot to assassinate the emperor) and the sudden emergence of socialist thought, religion could be used as a means of controlling the people (Takahashi 2002).

After those events, the first meeting of a group was held on April 11, 1912, at the instigation of Naruse, toward the formation of a research organization on methods to “improve the trends of thought.” At the meeting, opened with Shibusawa ostensibly inviting such scholars and thinkers as Inoue Tetsujirō (1856–1944), Nakajima Rikizō (1858–1918), Ukita Kazutami (1859–1946), Anesaki Masaharu (1873–1949), Ueda Bin (1874–1916), and the American Sidney Lewis Gulick (1860–1945), the Association Concordia was launched (Okita

1999). The association's planned activities included the publication of a magazine containing essays and criticisms on religion, philosophy, morals, society, education, and literature, as well as exchanges and international conferences of scholars from Japan and abroad and the holding of lectures (Okita 1999). In practice, the *Association Concordia Bulletin* was issued twice annually, and regular meetings were held monthly. For a while, Shibusawa attended the regular meetings without fail.

### Wide participation by scholars and businessmen

The five persons registered as the core “managers” of the association's operations were Naruse, Ukita, Anesaki, Shibusawa, and Morimura (*Association Concordia Bulletin*, vol. 2). Of them, Anesaki and Shibusawa were especially central in supporting its management (Isomae and Fukazawa 2002).

While many scholars and religionists took part in the association, it also enjoyed broad participation from Japan's ruling class, including bureaucrats and politicians (though it did not directly involve itself in government), as well as businessmen (Isomae and Fukazawa 2002). The number of participants started out at 63 but had increased to 119 by 1929 (*Association Concordia Bulletin*, vol. 1; Takahashi 2002).

Besides the five managers listed above, the regular members of the association included such men as Ueda (professor at Kyoto Imperial University and a literary figure), Gulick (American missionary and professor in the Dōshisha University Seminary Division), Nakajima (professor of ethics at Tokyo Imperial University), Sakatani Yoshirō (Shibusawa's son-in-law, mayor of Tokyo), Inoue (professor of philosophy at Tokyo Imperial University), Harada Tasuke (1863–1940, professor and president of Dōshisha University), Morimura Ichizaemon, Kuwaki Gen'yoku (1874–1946, professor of philosophy at Tokyo Imperial University), Tokonami Takejirō (bureaucrat in the Ministry of Home Affairs and politician), Shōda Heigorō (1847–1922, Mitsubishi), Shiozawa Masasada (1870–1945, president of Waseda University, economist), Hattori Kintarō (1860–1934, founder of Hattori Watch Store and Seikōsha watch company), and Yano Tsuneta (1865–1951, Dai-ichi Life Insurance). As might be expected, there were many participants from academic and business circles.

### Expectations for “one grand, unified religion” and a new religion

What sort of expectations and objectives did Shibusawa have as he participated

in the Association Concordia? First of all, he stated on the occasion of the association's establishment that it would take up the issues of religions and morals from Eastern and Western civilizations, along with various other international matters, saying, "In Japan today, various kinds of religions and moralities exist in a jumble, with people frequently not sure which one to follow. Should we just submit to a situation like that? Shouldn't the leaders of the world of ideas think about what to do about it? Also, doesn't the relationship between Western and Eastern civilizations have something to do with it, going beyond mere issues between individual states?" (*Association Concordia Bulletin*, vol. 1; *Biographical Materials* 1955–65, vol. 46). At the same time, he said, "What I undertook to do when aiming to unite thought and morals was to bring people's minds back to the right path," adding that "I want, more than anything else, to further advance and expand the activities of the association and thereby awaken people's minds." Shibusawa was concerned about the status quo in which people were not "on the right path" but instead were "muddled" (*Association Concordia Bulletin*, vol. 2). For that reason, while some people believe that Shibusawa sought "one grand, unified religion integrating and compromising between the good points of Confucianism, Buddhism, Christianity, and other religions," the meaning of his comments on "one grand, unified religion" changed slightly depending on the period in which they were made (Takahashi 2002).

Certainly, Shibusawa expressed the following ideas in writings from the same period: "In general, I entertain doubts about religion . . . and wonder whether it might be possible to take the good points of Confucianism, Buddhism, Christianity, and other religions and integrate and compromise between them so as to form one grand, unified religion" and "As for my own personal ideals, it is my hope that one grand religion will come to integrate Shinto, Buddhism, and Confucianism, without any distinction between them. . . . Since there is only one ultimate truth, there can be no reason why an integrated religion should be impossible." Thus, Shibusawa stated his hope during that period for a grand, unified religion and a new religion (*Biographical Materials* 1955–71, Supplement no. 6). The understanding of people surrounding Shibusawa also reflected those circumstances. Inoue Tetsujirō left writings saying, "When the Association Concordia opened, he said that a new religion might emerge from it" (*Ryūmon zasshi*, no. 637).

### From religion to morals

As the association developed, however, Shibusawa's ideas seem to have changed. In his later years he recalled that he had never thought about a comprehensive religion, saying, "Studying about various religions, it may have been too idealistic to try and find common strands. . . . Mr. Naruse may have said such things, but personally I thought it was quite impossible" (*Biographical Materials* 1955–65, vol. 46).

In those recollections, Shibusawa said from the start, "At the beginning, I myself firmly believed that it was quite enough to rely on Confucian teachings without depending on religion." He went on, "Religion only comes to life when applied to the political and business worlds. The work of religious followers is extremely dull without economic ideas. And people working in business who concentrate only in that direction have no principles to defend." Thus, what Shibusawa was searching for was a unified norm of morality for the real world, including business; the notion or concept of "religiosity" was exceedingly weak in his thinking. At the same time, he was looking for something grounded primarily in Confucian ethics. As he continued to say, "Still, it would be best to organize some sort of religion based on Confucianism, as it would be awkward to base it on Christianity, Buddhism, Shintoism, or the like" (Uyatan-kai, January 17, 1928; *Biographical Materials* 1955–65, vol. 46).

As can be gleaned from the above, Shibusawa's expectations toward religion evolved as time progressed. Largely on account of differences of opinion among religionists and religious scholars, he shifted away from his original hope of unifying religions and extracting common basic principles among them and moved toward a greater emphasis on morals with fading expectations of religio. Let us next explore the process of that shift and its causes.

At the March 10, 1915, regular meeting of the Association Concordia, Shibusawa expressed "the resignation of the Japanese people toward the current [world] situation." He was seriously concerned about what was happening globally, including the anti-Japanese movement in California (a series of actions highlighted by the 1913 passing of the Alien Land Law, which prohibited land ownership by "aliens ineligible for citizenship") and such events as the outbreak of World War I in 1914. Specifically, Shibusawa voiced pessimistic views about the world's state of affairs, saying first of all, "What on earth is the meaning of civilization after all? That is to say, I think that civilization is lacking in the world today." Amid such a situation, he cast doubts on whether Japan

“had no other option but to enter the fray and follow the law of the jungle.” He advocated the exploration of an independent line of thinking that would defeat the state-level egoism of the West and its “law of the jungle” philosophy, saying, “To the best of our ability, we need to advance the Eastern-style morality of not forcing on others what you would not accept yourself, maintain peace, and promote each country’s happiness” (*Ryūmon zasshi*, no. 328; *Biographical Materials* 1955–65, vol. 46; Okita 1999).

Shibusawa went on to argue that Japan should take the initiative and pursue morality and happiness on a global level, saying, “I believe that the current havoc could have been avoided if countries had sought the right road in international affairs and not just concentrated on domestic morals.” He concluded, “At this juncture, I strongly believe that there is a way to harmonize and adjust things. I sincerely hope that you will accept my opinions” (*Ryūmon zasshi*, no. 328).

### Declaration of the Association Concordia

In order to give shape to his strong sense of crisis, Shibusawa asked the Association Concordia, “In view of the current state of war in the world, isn’t it necessary for us to establish a moral standard for the Japanese nation?” In response, the association in March 1915 organized a research committee on current affairs composed of 27 members, including Ukita Kazutami, Nakano Takenaka (1848–1918), Anesaki Masaharu, and Sakatani Yoshirō. The committee prepared a report that came out some nine months later (*Ryūmon zasshi*, no. 328).

The report, which is regarded as the first direct message sent by the Association Concordia to the general public, took an enormous amount of energy and time to prepare (Takahashi 2002). First of all, debates at the committee’s meetings made hardly any headway because of the situation in which “heated discussion arose, followed by talk on basic issues, after which the debate tended to relapse, eventually becoming almost conversational in nature” (Takahashi 2002). For example, Sakatani submitted a demand that “A positive declaration should be made supporting loyalty and filial piety and placing the emphasis on familism, because what has destroyed Japanese morals, in the first place, is the conflict between individualism and familism.” There were huge ideological differences among the members, though, making it extremely difficult for them to find points of concurrence (Takahashi 2002).

At the fourth meeting of the committee in July 1915, some four months

after it was launched, the members commissioned Anesaki to undertake the composition of a draft declaration (Takahashi 2002). In his draft, Anesaki included references to the role of religion under the heading of “Fostering the spirit of the people,” expressing it thus: “In the cultivation of social morals, besides political education, there is much to be expected from religion as well as literary and artistic scholarship. It is important that ordinary people not be misguided by the values of business and productivity” (Takahashi 2002).

Although it might be said that the process of enacting the declaration was significant in terms of the Association Concordia proclaiming its points of agreement to the outside world, the word “religion” was omitted from the final draft and no reference was made at all to the role or position of religion. This omission shows how difficult it was to gain even a common understanding about the word “religion” due to the wide gaps among existing religions. In addition, although it had been Shibusawa who had posed the question to members in the first place, the outcome showed him that compilation of the declaration would not have been possible if he had not taken the initiative.

### High hopes for the unification of religions.

Some time later, in May 1921, Shibusawa, in his greetings to the spring general meeting of Ryūmonsha, mentioned in reference to the Association Concordia that he himself was areligious and would not alter his belief in the teachings of *The Analects* of Confucius. At the same time, though, he said, “In the case of most people, it is probably necessary for there to be a single religion displaying a signboard,” thus demonstrating that he had not given up hope for a unified religion (*Ryūmon zasshi*, no. 559).

The *Association Concordia Bulletin*, which contained the entire minutes of each of the association’s regular meetings, was originally published twice yearly without any break. After volume 8 of 1916, however, it ceased publication for a full four years. Although it was brought back into publication in 1920, it stopped being published altogether after four more issues. After that, ideas continued to be announced in the form of a series, but they no longer served as vessels for communicating everything discussed freely at the Association Concordia. Inoue wrote, “Various people just take turns to spout various opinions, and really the trend is toward discord among religions. In terms of religious principles, instead of the expected unification, it feels more like talk has slipped sideways. Certainly the true spirit of the original intent has been lost, and the

meetings have become quite trivial” (*Ryūmon zasshi*, no. 637).

### The spirit of international harmony

In 1928 Shibusawa spoke critically about the Association Concordia, saying how much of a letdown it had been to him: “It is no longer a religious body nor an academic study group,” he said, “but has ended up being just a kind of consultative group. I hardly ever make an appearance there anymore.” Anesaki also stated, “It is true that Viscount Shibusawa is disappointed” (Uyatan-kai in *Biographical Materials* 1955–65, vol. 46).

After Shibusawa died in 1931, Anesaki wrote, “The issue of whether or not to create a unified religion was a point of argument frequently raised during preliminary discussions. While Mr. Shibusawa inclined toward the idea, as did Mr. Naruse, their opinions differed somewhat from those of the others.” He went on, “Mr. Shibusawa’s thoughts about influencing the hearts and minds of the people were, as can be expected, in the style of Tokugawa-era Confucianism. As expressed in the phrase ‘The virtues of the government are like the wind, those of the people like the grass,’ he tended to believe that those in superior positions would develop rightful teachings that would then be bestowed upon the people” (*Ryūmon zasshi*, no. 542; *Biographical Materials* 1955–65, vol. 46).

In response to Shibusawa, Anesaki said, “The purpose of the Association Concordia was not just to eliminate the differences between various religions in the ordinary sense but to play the same kind of role for different countries, ethnic groups, classes, races, and so on (or at least to demonstrate the justification for such liquidation and exchange). Through that, it strove to achieve—for the future of humanity’s culture—the goal of moving toward the fundamental spirit of mutual harmonious cooperation that is at the bottom of people’s hearts. . . . I believe that the dedication of Mr. Shibusawa to many social enterprises, including those for labor-management conciliation, was one aspect of the harmonizing efforts stemming from his Confucianism.” Anesaki thus demonstrated how Shibusawa had transferred his energies away from religious and moral integration to activities that would instead reflect that ideology on people’s behavior (*Biographical Materials* 1955–65, vol. 46). That is to say, the thrust of the specific actions taken by the Association Concordia toward international harmony morphed into such enterprises as the Nichibei Dōshikai (Japan-America One-Aim Society), the Japanese-American Relations Committee, the Institute

of Pacific Relations, and the Blue-eyed Doll Project between the United States and Japan (Okita 1999).

## 5. The Cooperation Society and Shūyōdan

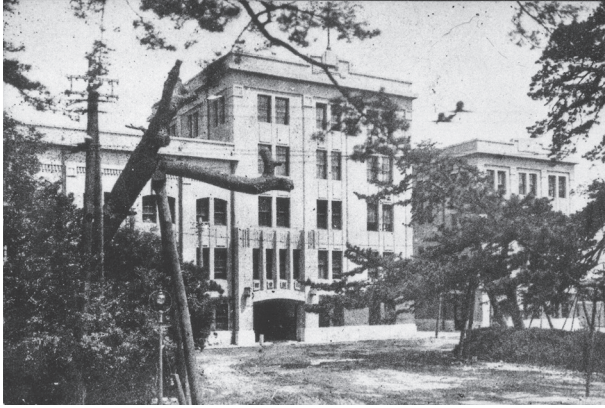
### **The emergence of labor issues and establishment of the Cooperation Society**

As can be seen from his active participation in the Association Concordia, Shibusawa initially held high hopes for the integration of religions and morals for the purpose of averting social discord. But coming up against the difficulty of stepping inside people's inner selves and breaking through the walls of established religions, his expectations rapidly faded. The global situation continued to worsen, however, as illustrated by the breakout of World War I, so Shibusawa felt the need to make a specific response. As a person deeply involved in business, Shibusawa particularly felt that the biggest problem was the emergence of labor issues, strongly influenced as they were by Marxism. The response chosen by him to tackle such problems was the establishment and operation of the Cooperation Society.

The Cooperation Society was founded at the end of 1919, immediately after World War I, as a joint government-private institution devoted specifically to labor issues (Yonekawa 1979). At that time labor issues were attracting attention internationally as well, as shown by the outbreak of the Russian Revolution, the rapid development of labor unions in the West, and the holding of the International Labor Conference. Japan was also influenced by these trends. The labor movement grew quickly, and frequent labor disputes occurred in conjunction with the postwar economic downturn. The Cooperation Society was founded based on the thinking that traditional paternalism needed to be replaced by a new type of "collaborationism" in order to deal with the wrenching changes of the times.

### **Organization primarily composed of bureaucrats and businessmen**

The central role in the establishment of the Cooperation Society was played by bureaucrats in the Ministry of Home Affairs, primarily Tokonami Takejirō (1866–1935), along with Shibusawa and businessmen in the Industry Club of Japan (founded in 1917 and still existing today). At the start of 1918 Shibusawa publicly announced his new position on labor relations, which had outgrown



Cooperation Society building (located in what is now Shiba Park in Minato-ku, Tokyo)

the traditional master-servant kind of relationship and moved toward egalitarian collaborationism, saying, “There is no reason for workers to be forcibly and unilaterally subjected to subordinate treatment. It is a natural development for them to demand some sort of appropriate means. . . . I believe that if workers do have quite legitimate demands, some sort of method should exist that can accommodate both Japan’s state of affairs and the demands of the times. I would like to search for such a means.” Shibusawa further expressed his opinion by saying, “As one measure of postwar management in Britain, employers reportedly have proposed to seek harmony between capital and labor by establishing an organization with an equal number of employers and workers selected to serve on committees to which the resolution of all labor issues would be entrusted. I think such a plan deserves thorough study in Japan as well.” Shibusawa thus expressed the basic concept of the Cooperation Society in which the government, workers, and management would all participate (*Ryūmon zasshi*, no. 357).

### Members and activities of the Cooperation Society

Members started meeting frequently from the end of 1918, with drafts of the founding prospectus and general plan being revised over and over again at the Industry Club of Japan. Shibusawa and others also solicited donations from people in business. The person selected to become chair of the Cooperation Society was Tokugawa Iesato (1863–1940), president of the House of Peers (and

first head of the Tokugawa clan after the overthrow of the shogunate), with Shibusawa and the politicians Ōoka Ikuzō (1856–1928), Kiyoura Keigo (1850–1942), and others serving as vice-chairs. These members, who were deeply involved in the establishment of the Cooperation Society from the outset, went on to keep their positions at the top. Also, there were many directors from the Industry Club of Japan, including Nakajima Kumakichi (1873–1960), Wada Toyoji (1861–1924), Gō Seinosuke (1865–1942), and other members of the club's research committee on capital-labor issues.

The Cooperation Society also welcomed Kuwata Kumazō (1868–1932) and Matsuoka Kinpei (1876–1960), both doctors of law, as standing directors who worked at the center of its activities. While the goal of getting the participation of labor representatives did not materialize, the society was launched with many directors, trustees, and regular members from the fields of politics, business, government, and academia. As the phrase “joint government-private institution” suggests, people from many positions were involved in the Cooperation Society's establishment, and everyone who joined had their reasons for doing so. Indeed, as soon as the activities of the society began, a conflict broke out between the principle of “labor-management oneness,” an ideal held by employers, and the practical approach of “collaborationism,” as the two were quite incompatible with each other. After a turbulent start, three men assumed the position of standing director: Soeda Keiichirō (1871–1953), the previous chief of the bureau of local affairs at the Ministry of Home Affairs, Nagai Tōru (1878–1973), a former accountant general at the Ministry of Railways, and Tazawa Yoshiharu (1885–1944), a former secretary at the Ministry of Home Affairs. It was these three men who, while inheriting various policies, went on to build the foundation of the Cooperation Society's activities, working together to such an extent that “At that time the Cooperation Society appeared to be almost like a den of like-minded persons” (Kaiwakai 1965).

The activities of the Cooperation Society were truly varied and included the following: (1) holding courses and lectures for workers, (2) running schools for workers, (3) publishing magazines and materials on a multitude of research activities and labor problems, (4) mediating in labor disputes, (5) translating the latest documents from the West on labor issues, (6) making proposals to the government on labor administration, (7) carrying out employment referrals, and (8) introducing and disseminating scientific management methods developed by the attached Research Center on Industrial Efficiency (Kurokawa

1923). Among them, the activities that drew attention as being the most effective were mediation in labor disputes and the implementation of courses for workers based on the principle of cultivation of the mind.

### Mediating in large-scale disputes

Shibusawa had especially high hopes for the Cooperation Society's role in mediating industrial disputes. His expectations began at the stage of planning for the society's establishment, when he said, "The Cooperation Society that we are planning will endeavor to mediate disputes between capitalists and workers, achieve harmonious cooperation between them, and promote the development of industries. As far as that intention is concerned, I hope that the many disputes between capitalists and workers today can be mediated swiftly" (*Jitsugyō no Nihon*, September 1, 1919; *Biographical Materials* 1955–65, vol. 31).

The society's mediation of disputes was forcefully promoted after Soeda, who was aloof from the positions of labor and management, had been appointed standing director. It was written, "After Mr. Soeda assumed the post of standing director of the Cooperation Society and took charge of labor dispute mediation, it became his foremost preoccupation," showing that he took the initiative in fulfilling that role (Soeda 1955; Takahashi 2002). Meanwhile, the conservative businessman Nakajima Kumakichi did not think well of the activities of the Cooperation Society, particularly Soeda's dispute-mediation activities, which recognized conflicts between labor and management (The Industry Club of Japan 1941).

The period in which the Cooperation Society was most active in mediating labor disputes was the latter 1920s. The background to that was the enactment of the Labor Dispute Mediation Act in 1926 with the goal of creating a legal system for mediation. One feature was the aspect of dispute resolution through so-called virtual mediation lying outside the parameters of the law, the responsibility of which was handled by the Cooperation Society. The number of disputes mediated by the society, including those at the level of consultations, is said to have reached more than 300. Moreover, a major characteristic of disputes that the Cooperation Society was involved in was that they were relatively large-scale conflicts that were bound to catch the public's attention. Standing director Soeda wrote, "Brilliant success was achieved after extraordinary efforts were made in mediating three famous labor disputes of the time—Nippon Gakki (now Yamaha Corporation), Besshi Mining, and Noda Soy Sauce

(now Kikkoman)” (Soeda 1955).

### Focus on speedy resolution with favorable terms for labor

In labor disputes mediated by the Cooperation Society, the results were relatively favorable for the workers’ side when they involved economic matters. In the case of political struggles, or when both labor and management were stubbornly pitted against each other in an emotional test of wills, the results of the mediation tended to be strictly against the workers’ side, with the focus on quick resolution. In addition, the disputes that the Cooperation Society mediated overwhelmingly saw the involvement of the Japan Federation of Labor. Partly this was because the federation had proposed a system to control labor disputes and to utilize mediation, but it also was because the Cooperation Society had established a clear policy direction of fostering moderate labor unions, of which the Japan Federation of Labor was a typical example (Hayashi 1986).

Examples of the compromise model of dispute mediation—that is, the active use of mediation, with a settlement reached through discussions and workers’ demands met to an extent—included disputes at the Hashiba Plant of Dainippon Spinning Company (now Unichika) in 1927, the Kyoto Yodogawa Plant of Kanegafuchi Spinning Company (Kanebo) in 1930, and the Kawasaki Plant of Fuji Gas Spinning Company (now Fujibo), also in 1930. (The phrase “compromise model of dispute mediation” refers to the word “compromise” recorded in the column of mediation results found in the labor dispute records contained in the *Chôtei nenpō* [Mediation Annual Report].) Those disputes were very important ones that drew much attention from society at the time. In each of the cases, once it turned out to be impossible for labor and management to resolve the issue by themselves, the strikers would entrust resolution of the dispute to the executives of the Japan Federation of Labor, and the companies would request the Cooperation Society to act as a go-between and mediate so as to sort the matter out.

### The ideal of labor-management oneness

When mediating disputes, the Cooperation Society in particular played an extremely important role in the stage preceding the final settlement. During the disputes at the Dainippon Spinning and Kanegafuchi Spinning plants, for example, staff from the Cooperation Society would repeatedly enter into meet-

ings with both the labor and management sides from early on, as well as making preliminary negotiations with them. In such a way, the Cooperation Society would organize preliminary negotiations that were staged before the convening of mediation committees with formal mediators, thus serving the function of providing support from the rear that would allow mediation to be accepted more smoothly.

The most important factor in steering disputes to a resolution was whether a relationship could be established with the workers in which heart-to-heart talks could be held. For this purpose, staff members of the Cooperation Society—“Old hands who exuded a strong sense of living in a society of moral obligation and humane feelings, charity and righteousness”—would travel at an early stage to factories that were the sites of disputes and spend many hours working to create an atmosphere where discussions could take place (Soeda 1955).

After Cooperation Society staff members had prepared the ground enabling discussions between labor and management, standing director Soeda would step in and bring the negotiations to a conclusion. Here again, the most important factor was the same. According to Nishio Suehiro (1891–1981), who later became head of the Reformist Party and a leader of the Japan Federation of Labor, “Mr. Soeda is a man of both common sense and deep compassion. That’s why he was able to successfully resolve disputes that could not be reduced to logic or calculation. Mr. Soeda is a big-brother type of person, so he was able to treat people in that era’s labor movement who could not be persuaded ideologically or behaviorally with a warm and generous attitude. We were able to meet and negotiate with Mr. Soeda openly and frankly” (Soeda 1955). As a standing director of the Cooperation Society, Soeda would help develop a mutual relationship of trust between labor and management based on the traditional ideal of “labor-management oneness,” while simultaneously establishing the framework for a collaborative program of dispute mediation via a neutral external third party.

As the labor union movement developed and advanced, clashes intensified between management and labor based on class-conflict ideology. Under such circumstances, the dispute-resolution style was established by which a large number of companies received the cooperation of the Cooperation Society, carrying out talks between labor and management aimed at achieving mutual understanding. As a policy, it was “cooperationist” in the sense that it aimed at

fostering moderate labor unions. But as a method of resolution, it created the groundwork for mutual understanding between management and labor based on the principle of “labor-management oneness.”

### The Cooperation Society’s courses for workers and the Shūyōdan

Meanwhile, the courses for workers organized by the Cooperation Society were promoted by the standing director Tazawa Yoshiharu, formerly of the Ministry of Home Affairs, who later became renowned for his establishment of young men’s associations around Japan (Fujino 1982). Tazawa was recruited into the Cooperation Society with the strong backing of Shibusawa, who had positioned spiritual education, in the form of courses for workers, as one of the practical activities for the society to carry out, along with dispute mediation. The Cooperation Society went on to incorporate the ideological and educational movement represented by such cultivation of the mind as part of its activities.

The implementation of courses for workers by the Cooperation Society was deeply related to the Shūyōdan (Association for Spiritual Education), as revealed by the following statement: “Although the Cooperation Society was the sponsor, the actual courses were carried out by the Shūyōdan. Accordingly, their true nature was that of Shūyōdan courses, and many participants subsequently joined the Shūyōdan. Through them, the Shūyōdan spread to various companies” (Shūyōdan 1985). The Shūyōdan (known today as the SYD, for Supporting Your Dreams) was founded by Hasunuma Monzō (1882–1980) with the motto of “sweat, discipline, and mutual love among compatriots.” It was a social education group that promoted the patriotic White Ethics Movement that became quite widespread before and during World War II, aiming to disseminate the ideology of emperor worship through the slogans “total affinity” and “total effort.” As far as its development is concerned, it was written that “Although public opinion held the Shūyōdan in low regard and was ignoring it, Baron Shibusawa lifted it up and nursed it just as if he were its parent,” demonstrating that the role he played upon becoming its advisor in 1910 was hardly insignificant (*Biographical Materials* 1955–65, vol. 43).

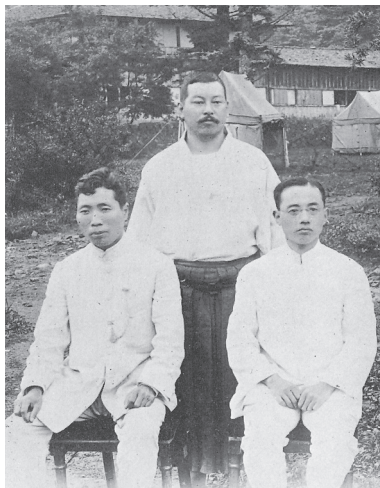
### Tazawa Yoshiharu, leader of the youth movement

With the cooperation of Tazawa, Shibusawa expanded the activities of the Shūyōdan on both the worker and corporate levels. Tazawa is known today as the leader of the youth movement. After graduating from the University of To-

kyo, he entered the Ministry of Home Affairs. While serving as the head of Abe-gun county in Shizuoka Prefecture, he got into contact with the activities of young men's associations and then went on to create the so-called tent lecture meetings of the Shūyōdan. These Shūyōdan-style lecture meetings took place in tents set up in the great outdoors, with their motto being "Before we are workers, we are human beings; before we are capitalists, we are human beings." With both the lecturers and those attending sleeping, eating, and living together, the purpose of the meetings was to "foster proper principles toward sharing the same lifestyle all day

long, thereby demonstrating the proper path that people should follow, promoting a proper understanding of social and labor problems, and thereby contributing to the healthy progress and development of society" (Kaiwakai 1965; Nakamura 1929). Specifically, Soeda, Tazawa, and other staff members of the Cooperation Society carried out lectures, group calisthenics, and the cleaning of training halls and other temple work. From 1921 to 1929, 105 separate training courses were held, with the cumulative number of participants exceeding 10,700 (Nakamura 1929).

In 1915 Tazawa became director of the general affairs section of the construction department of Meiji Shrine, which had been built to honor the deceased Meiji emperor. In 1919 he was engaged in the construction of the Meiji Shrine and Outer Gardens as first section chief of the shrine bureau, and he mobilized young men's associations from around Japan to assist in those tasks. Between 1915 and 1922, he hardly ever missed any of the 15 tent meetings sponsored by the Shūyōdan, and he also became a trustee of the group in 1919. Around the same time, in 1920, he became a standing director of the Cooperation Society, which organized a total of 16 workers' courses in the two-year period from 1921 to 1923. Tazawa was involved in three organizations—the young men's association movement, the Shūyōdan, and the Cooperation Soci-



Young activists of the Shūyōdan, 1917 (left to right: Hasunuma Monzō, Tazawa Yoshiharu, and Maeda Tamon). Taken at the third tent lecture meeting.



Second tent lecture meeting of the Shūyōdan, 1916

ety—but he began to distance himself from the Shūyōdan in 1924, around the same time that Hiranuma Kiichirō (1867–1952), who was later to become prime minister, became the group’s leader. Tazawa resigned from his post as a director of the Shūyōdan in 1925. Also, he resigned from the Cooperation Society in 1924 in order to run for a seat in the House of Representatives. He became founding director of the Nippon Seinenkan (Japan Youth Center) in 1921 and chairman of the Dainippon Seinenkan (Federation of Youth Groups of Japan) in 1934, thereby integrating the Japanese youth movement (Kinoshita 1997; Takeda 1987).

### Moroi Tsunehei and Ogura Masatsune

The Shūyōdan-style courses of the Cooperation Society later led to the permeation of Shūyōdan activities in companies around the country. Company executives also actively endeavored to introduce them, with such men as Ōtaguro Jūgorō (1866–1944) of Toshiba, Moroi Tsunehei (1862–1941) of Chichibu Cement, and Ogura Masatsune (1876–1961) of Sumitomo particularly enthusiastic. It was written, “The number of members reached 3,000 at the Toyobo Himeji Plant (December 1928) and 5,000 at the Yawata Steelmaking Federation (February 1931). All 260 employees of the Chichibu Cement Chichibu Plant

were lifelong members (March 1933), and the number of lifelong members at Osaka Sumitomo Steel reached 522 (end of 1933)” (Shūyōdan 1985). The introduction of “spiritual education” at Chichibu Cement was based on Moroi’s idea that “a company is its people.” Moroi established the Yūkōen with the aim of implementing various measures for the cultivation of personal character and welfare, and it was the Shūyōdan that supported it mentally and spiritually (Chichibu Cement 1974).

At Sumitomo Ogura placed a very strong emphasis on the Shūyōdan movement, saying, “I broadly made our company’s executives, ordinary workers, and miners participate in the patriotic ethics movement known as the Shūyōdan, which, while holding religion in high regard and hoping for the cleansing of politics, does not favor any one particular religion or political party. Rather, through the practice of love and toil, it has focused attention on the goal of cleansing and improving the family, the workplace, and, by extension, society and the nation. I believed that it could not only play a big role in smoothing communication between labor and management but also assist in the cleansing and restoration of soundness in the family and workplace, which are the base and center of one’s life” (Ogura 1955; Seoka 1983, 1998). Moroi and Ogura can be described as typical executives who emphasized the idea of personalism in labor-management relations.

### **Workers’ courses rooted in personalism and spiritual education**

As workers’ courses were rooted in personalism and spiritual education, they were connected to the idea of labor-management oneness. Shibusawa was the person who promoted character building as part of the activities of the Cooperation Society. While he appreciated and supported the Shūyōdan’s stance adopted by Hasunuma of emphasizing “cultivation of the spirit,” however, he felt that something was wrong with its unscientific visionary elements and its overly religious ceremonial approach following the recitation style of Nichiren Buddhism, and he rejected them both (*Biographical Materials* 1955–71, vol. 43). Moreover, Shibusawa did not actively try to keep Tazawa, who had led the Shūyōdan-style workers’ courses with their heavily spiritualistic elements, in the Cooperation Society, saying that “He acted like a new bureaucrat and made clear his nationalistic position” (Takahashi 2001).

## 6. The search for a new kind of labor-management relationship

### Shibusawa's aims

While Shibusawa well understood modern capitalistic society, with its assumption of reproduction on an expanded scale, and himself served as a standard-bearer for the rise of the private-sector economy, he was also simultaneously aware of the social contradictions that arose thereby and actively engaged in social and public enterprises. He particularly fretted over how to attract superior talent to the private-sector economy and how to broadly foster the kind of human resources who could serve as leaders of the modern economy with a sense of pride and mission. Also, he did not turn away or sweep away disabled people but considered them to be full members of society. Rather than treating them as a continued burden on society, he tried to find venues for them to contribute what they could to society.

Furthermore, although Shibusawa had sought an integration of values and morals through the Association Concordia in response to the worldwide spread of strife around the time of World War I, after having engaged in exchanges with religious scholars, religionists, and others, his views suffered damage to such an extent that he had to amend his own optimistic ideas about religion and morals. Thereafter, he placed relations with workers and employees, who had grown into a large presence as members of society, at the center of his actions.

Through his experiences with the Cooperation Society, Shibusawa realized the wide gap that separated management and labor union leaders, so he went on to search for his own philosophy of industrial relations based on his practical work together with new bureaucrats and their various ways of thinking. Eventually, while being influenced by liberal corporatism, which sought to position labor unions pluralistically in the state structure as distinctive social groups, he became involved, through new bureaucrats who had striven to enact a trade union act, in a style of dispute mediation that sought common ground between labor and management and with the Shūyōdan-style courses for workers. In practice, it seems odd that Shibusawa was able to work together with both Soeda and Tazawa, the leaders of these two styles who were new bureaucrats but had vastly different ideas.

### **Eclectic “collaborationism” never became mainstream**

Of the three organizations taken up here, Shibusawa ended up being most actively involved with the Cooperation Society. It was also the organization that he was involved in for the longest time. His emphasis on morals during his later years stemmed from his apprehensions about the declining morals of the business world and, by extension, of society at large. His approach to the labor issue, which he positioned on a par with morals as a field of emphasis in his later life, was colored not so much by “familism” or “spiritual education” as by the dualistic concept of “collaborationism” between labor and management, the positions of which were fundamentally different. This owed in part to his great disappointment with the Association Concordia and was the result of his judgment that treating labor and management in a monistic way as a unified whole was impossible as a response to Western trends. In Japan as a whole, however, Shibusawa’s eclectic collaborational approach to labor-management relations—namely, the search for points of compromise, maintaining a spiritual link between labor and management and denying the existence of political struggles and class conflict—never became part of the mainstream in the prewar period.

Shibusawa’s view of human relations was deeply rooted in society. Stemming from his frustrations with the activities of the Association Concordia, he himself fully understood the difficulty of integrating Eastern and Western values and finding commonalities between them. Feeling the impact of the new Western trends of imperialism and socialism, he was one of the first people in Japan to look for ways to form a new philosophy of human relations incorporating Western values. In other words, he attempted to introduce a Western dualistic view of humanity (labor-management relations) adapted to Japanese conditions. But due to the inclusion of Japanese elements (namely, a monistic view of humanity that considers everyone to be in the same ring), he was unable to evolve the idea. Shibusawa suffered a strong backlash from society, which viewed his attempts as ethically contradictory, and he was unable, in such a short time, to form a newly evolved model of industrial relations. In a sense, that was only natural. Yet Shibusawa’s views should be seen in the light of the development after World War II of company-based labor unions in Japan, the formation of industrial democracy, and the current trend toward Western-style performance-oriented management. The process of reform and innovation in the philosophy of human relations naturally takes a long time.

Shibusawa's vision of industrial relations and of the social order deserves closer attention, because he was the one who paved the way for such changes.



## Epilogue: Shibusawa's Vision of Modern Society

### The real Shibusawa

Many books about Shibusawa Eiichi are available today in Japan. While it is fine to make liberal interpretations that appeal to the modern era, I came to feel that it would be extremely discourteous to Shibusawa to interpret his life without understanding the full range of the multifaceted economic and social activities that he conducted throughout the nine decades of his life, in which he never fully retired, as well as his thoughts about Japanese society, which ran consistently throughout his life like an arrow, and the limitations on realizing them.

### Toppling the idea of “respecting authority and denigrating ordinary citizens”

Demonstrating an amazing capacity to learn, Shibusawa rose from being a child of farmers to samurai status and then exhibited a high level of ability when serving as an economic bureaucrat in the new Meiji government. Rather than remaining in the world of politics and bureaucracy, with its whirling power struggles, however, he chose to jump into the private sector with the goal of toppling the prevalent idea of “respecting authority and denigrating ordinary citizens.” He made it his lifework to construct a civil economy and society that could support itself independently.

Primarily acting from his position at the First National Bank, Shibusawa painstakingly devoted himself to establishing a corporate system in which companies, rather than being managed arbitrarily with only a few people making private investments, were operated with investments, both large and small, from many people and also had well-developed accounting procedures. Shibusawa launched a wide variety of companies that were vital to Japan's modernization, guiding their startup and operation and accepting more responsibility for their management at critical times than anyone else. Rather than using the shares he owned to dominate and control companies, he took the profits from climbing share prices, a reflection of people's expectations toward those companies, and used them as seed money to start even more businesses. He also worked out how to combine several investment techniques, such as limited

partnerships and anonymous partnerships, matching them to the nature of the businesses involved.

For Shibusawa to operate so many companies simultaneously, he needed the cooperation of various types of business manager, such as those who would take risks and aggressively invest in unexplored or unknown areas, as well as more purely managerial types discovered locally through a variety of channels, whom he would promote from site manager to company director. In the early days he tapped men from his hometown and immediate family relations to serve in important posts, but later they came to play a less significant role. Instead, Shibusawa's two sons-in-law, the legal scholar Hozumi Nobushige and the economic bureaucrat Sakatani Yoshirō, came to serve as his important lieutenants in activities contributing to society.

Around the time of the Sino-Japanese War of 1894–95 and the Russo-Japanese War of 1904–5, Shibusawa used his unique position to actively make comments and take action concerning the Japanese economy with the aim of strengthening its constitution. Nevertheless, against his will, the trend of the times was toward greater reliance of the private sector on the government and growing state control of the economy.

Shibusawa was also actively involved in the condition of the constituent members of Japan as a nation. In order to encourage highly skilled people to enter the industrial world, he supported various educational institutions. In addition, he addressed the problem of the disabled. At a time when many people saw them only as a social burden, Shibusawa considered the disabled to be members of society and never shut his eyes to the issue. Although frustrated in his attempt to find commonalities between different world ideologies and religions, he was more active than others in the business world in trying to develop new responses to handling relations between management and labor, a conflict that was intensifying owing to the rise of Marxism. While respecting their different positions, he searched for points of agreement between them.

Although quite impetuous when young, Shibusawa became the paragon of good-naturedness in his later life, never flinching in the face of the many difficult problems that came his way. What I wanted to do in this book was to show readers where his energy came from and what supported it. Armed with youth and zeal, Shibusawa boldly took action at a time when Japan was facing the chaos and difficulties of reform, synchronizing his own activities with his ideas about the course that Japan should take and quite fearless of friction

and the unknown.

Throughout his life, Shibusawa continued to explain to the public about virtues like right and wrong, justice, conviction, and honor, sometimes with humor, sometimes expressing anger toward society. To summarize his message, it would be that people are connected not by gains and losses but by correct principles and the enthusiasm to realize them. That is what he considered truly important.

#### Death at the age of 91

In 1931 Shibusawa was afflicted with stenosis (abnormal narrowing) of the large intestine. Although he had an operation on October 14, 1931, he died

four weeks later on November 11, 1931, at the age of 91. Upon his death, an imperial messenger was dispatched from the imperial household, and funeral services were held at the Aoyama Funeral Hall in Tokyo, with his grandson Shibusawa Keizō serving as chief mourner. From his residence in Asukayama to his burial site in Aoyama, tens of thousands of people lined the streets to watch Shibusawa's funeral motorcade, including local elementary school children and students of schools to which he had been connected, as well as many ordinary folk.

In the end, the society that Shibusawa had attempted to create throughout his long life was not fully realized. He himself was not a flawless human being. But even so, Shibusawa's true value lay in his search for new horizons and his continued thinking and acting despite repeated frustrations and in the face of sometimes stiff opposition. As a person who created a non-zaibatsu corporate model and a vision for society as a whole, Shibusawa never wavered in his belief that society would not grow unless the idea of "respecting authority and deni-



Funeral procession in the street outside Shibusawa's Asukayama home

grating ordinary citizens” was crushed and a mechanism created whereby energy could accumulate in the private sector. For people living in the modern era, with its overwhelming sense of impasse, acquiring the ability to think about the whole and take positive action accordingly might be of help in finding a way forward.

### Postscript

With extensive additions and revisions, this book is based on the following Japanese book of mine published in 2007: *Shibusawa Eiichi no kigyōsha kōdō no kenkyū: senzenki kigyō seido no sōshutsu to tōshi keieisha no yakuwari* [Research on Shibusawa Eiichi’s corporate activities: The creation of the prewar corporate system and the role of investor-managers]. Tokyo: Nihon Keizai Hyouronsha, 2007.

It is also based on the following publications that I wrote around the same time dealing with social enterprise relations:

*Keizai rikkoku Nihon no keizaigaku: Shibusawa Eiichi to Ajia* [The economics of Japan as an economic powerhouse: Shibusawa Eiichi and Asia]. In “*Teikoku*” *no keizaigaku* [The economics of “empire”], vol. 2 of “*Teikoku*” *Nihon no gakuchi* [Academic knowledge of “imperial” Japan]. Tokyo: Iwanami Shoten, 2006.

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Shimada Masakazu  
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# Timeline of Shibusawa Eiichi's Life

Year	Age	Events in Shibusawa's life	Japan and world
1840		Born in Chiaraijima village in Musashi Province	Opium War
1852	12		France: Second French Empire (to 1870)
1853	13	Visits Edo for first time	Perry's Black Ships arrive in Japan
1854	14		Crimean War (to 1856)
1856	16	Asked forcibly by Okabe Jinya to lend money to government	
1858	18	Marries Chiyo	Ansei purge
1860	20		India: Fall of Mughal Empire
			Qing Empire (China): Taiping Rebellion, Anglo-French forces occupy Beijing
1861	21	Goes to Edo to study at Kaiho Gyoson's school	United States: Civil War (to 1865)
1863	23	Makes plan to assault Takasaki Castle and burn down Yokohama Travels to Kyoto Becomes underling in Hitotsubashi clan Momono Kadō gathers forces at Mount Akagi	August 18 political upheaval United States: President Abraham Lincoln's Emancipation Proclamation
1864	24		Kinmon Incident in Kyoto
1865	25	Appointed <i>kanjōgumi-kashira</i>	
1866	26	Promoted to position of <i>goshibankaku</i>	Yoshinobu becomes head of main Tokugawa branch and then shogun
1867	27	Accompanies delegation of Tokugawa Akitake to Paris International Exposition	Shogun cedes power to emperor

Year	Age	Events in Shibusawa's life	Japan and world
1868	28	Returns to Japan in November	Battle of Toba Fushimi
1869	29	Establishment of Shizuoka Shōhō Kaisho Moves to Finance Ministry's taxation department in October	Ships start passing through the Suez Canal
1870	30	Promoted to taxation chief at end of September	Franco-Prussian War
1871	31	Father Yoshimasa dies Writes <i>Rikkai ryakusoku</i> [Guidelines on forming companies]	Abolition of domains and establishment of prefectures Establishment of First German Reich Creation of Paris Commune
1872	32	Establishment of Tokyo Chamber and Tōkyō Yōikuin	Legislation enacted for national banks
1873	33	Resigns from Finance Ministry in May Founding ceremony of First National Bank Establishment of paper-manufacturing company	
1874	34		Saga Rebellion Troops sent to Taiwan
1875	35	Leads foundation of Tokyo Railway Co. Establishment of predecessor of Tokyo Higher Commercial School with William Cogswell Whitney invited as teacher	
1876	36	Establishment of Shinagawa White Brick Manufacturing Co.	
1877	37	Organization of Takuzenkai banking industry association Becomes advisor to Mitsui family	Satsuma Rebellion Britain: Queen Victoria becomes empress of India
1878	38	Opening of Pusan branch (Korea) of First National Bank Establishment of Tokyo Chamber of Commerce	Signing of San Stefano Treaty ending last Russo-Turkish War

Year	Age	Events in Shibusawa's life	Japan and world
1879	39	Establishment of Tokio Marine Insurance Co.	
1881	41	Establishment of Japan Railways	
1882	42	Marriage of oldest daughter, Utako, to Hozumi Nobushige Wife Chiyo dies at age 41 Founding of Osaka Spinning Co. and Kyōdō Transport Co.	
1883	43	Marries again, to Kaneko	
1885	45	Launches Ryūmonsha	
1886	46	Meeting of founders of Kyoto Textile Co.	
1887	47	Establishment of Tokyo Clearing House	
1888	48	Second daughter, Kotoko, marries Sakatani Yoshirō Supports indigo manufacturing company Establishment of Tokyo Jogakkan School for Young Ladies	
1889	49	Establishment of Hokkaido Coal Mine Railway Co. First Shibusawa family council meeting	Promulgation of Meiji Constitution
1892	52	Hozumi draws up family law for Shimizu family	
1893	53	Becomes chairman of Tokyo Gas	
1894	54	Provides capital to Aoki Fishing and Hunting Group as member of anonymous investor group	Outbreak of Sino-Japanese War Qing Empire: Donghak Peasant Revolution (Korea)
1895	55	Financially supports Aoki & Co.	Conclusion of Sino-Japanese War; signing of Shimonoseki Treaty
1897	57		Introduction of gold standard
1898	58	Makes inspection tour to Korea	
1899			Boer War

Year	Age	Events in Shibusawa's life	Japan and world
1900	60	Becomes Baron Shibusawa Establishment of Ōkura Commercial School Makes inspection tour to Korea	China: Boxer Rebellion, dispatch of troops to China by coalition of eight nations
1901	61	Establishment of Keika Commercial School Opening of Japan Women's University	
1902	62	Establishment of Industrial Bank of Japan (IBJ) Travels to Europe and United States	
1904	64		Outbreak of Russo-Japanese War Start of construction of Panama Canal
1905	65	Enactment of Railway Secured Bonds Act	Conclusion of Russo-Japanese War Russia: Bloody Sunday incident
1906	66	Appointment of Sakatani Yoshirō as finance minister Promulgation of Railway Nationalization Act Makes inspection tour to Korea.	
1908	68	Shinyū incident occurs at Tokyo Higher Commercial School, lasting until 1909	
1909	69	Engagement of third daughter, Aiko, to Akashi Teruo in January Retires from most businesses in June, except for First Bank Travels to United States in August with businessmen's group	
1910	70		Annexation of Korea by Japan
1911	71		China: Xinhai Revolution (Revolution of 1911)

Year	Age	Events in Shibusawa's life	Japan and world
1912	72	Family council decides to disinherit Shibusawa's oldest son, Tokuji Founding of Association Concordia	Establishment of Republic of China by Sun Yat-sen First Balkan War
1914	74	Founding of Takachiho Higher Commercial School	Outbreak of World War I
1915	75	Incorporation of Shibusawa family council in April	
1916	76	Retires completely from business world	
1917	77		Russia: February Revolution, inauguration of Soviet government
1919	79	Establishment of Ōkura Higher Commercial School Establishment of Cooperation Society	
1920	80	Tokyo Higher Commercial School promoted in status to Tokyo Commercial University Becomes Viscount Shibusawa	Formation of League of Nations
1922	82		Fall of Ottoman Empire Foundation of Union of Soviet Socialist Republics
1923	83		Great Kanto Earthquake Founding of Turkish Republic
1926	86	Hozumi Nobushige dies at age 71	
1927	87		Geneva Naval Conference
1929	89		Global economic depression
1931	91	Dies on November 11	Manchurian Incident



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## *Author profile*

### **Shimada Masakazu**

Born in Tokyo in 1961. Received MA in economics from the Economics Department of the Waseda University Graduate School. Took all the credits in the PhD course in management at the Institute of Economic Studies at Meiji University, leaving school in midcourse, eventually getting the PhD in management from the same university. Currently professor of Business Administration at Bunkyo Gakuin University. Visiting scholar at the University of Michigan in 1998 and research fellow at Hitotsubashi University Center for Japanese Business studies from 2009 to 2014. Primarily conducts historical studies on Shibusawa Eiichi's corporate activities, as well as research on the optical precision instrument industry.

#### **Previous writings include:**

- *Shibusawa Eiichi no kigyōsha katsudō no kenkyū: Senzenki kigyō shisutemu no sōshutsu to shushshisha keieisha no yakuwari* [Research on Shibusawa Eiichi's corporate activities: The creation of the prewar corporate system and the role of investor-managers]. Tokyo: Nihon Keizai Hyouronsha, 2007.
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著者 島田昌和

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