

# SOURCES OF BUSINESS ETHICS IN MEIJI JAPAN

NOBUMICHI WATAHIKI\*

nwatahiki@utnagaoka.ac.jp

**ABSTRACT:** *When studying the activity of Japanese companies in the Meiji Period (1868-1912) we may notice that these have taken actions that are not exactly within the capitalist ethos of competition and personal profit. As an example, we refer to the networks created by managing directors who served concurrently in different companies, in the same field of activity<sup>1</sup>. Seen from the point of view of a competitive, market-oriented economy, this is an unbelievable phenomenon. Maybe it is due to the fact that the people preserved its traditional values despite the adoption of such social techniques as the joint stock company system. Our study will analyze the role of traditional business ethics from the Edo period in shaping the modern ethics and vision of Japanese management.*

**KEYWORDS:** *Meiji Period, Japanese management, ethics, Fukuzawa Yukichi, Shibusawa Eiichi*

## 1. Introduction

Two great scholars have contributed substantially to the modernization of Japan in the 19<sup>th</sup> century, by urging it to model its business activity on the European social system. These are Shibusawa Eiichi (1840-1931)<sup>2</sup> and Fukuzawa Yukichi (1835-1901)<sup>3</sup>. Before the Meiji

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\* Professor of management at Nagaoka Technical University, Japan. The article was translated from Japanese by Iulia Waniek.

<sup>1</sup> according to my research, two companies from the same field (for example, banking and oil industry) located less than 10 km. of each other, shared the same director (cf. Watahiki Nobumichi, "A Network Analysis of Share Trading in early Meiji era: Ojiya Bank", *Hirosaki Economic Review*, No.40/2017, pp29–45). This phenomenon is not restricted to Niigata Prefecture, and can be observed in the whole country, cf. Suzuki Tsuneo, Kobayakawa Yōichi, Wada Kazuo (2009), *Kigyōka nettowaku no keisei to tenkai – deetabeesu kara mita kindai Nihon no chiiki keizai*, Nagoya, Nagoya Daigaku Shuppankai.

<sup>2</sup> Throughout this study we have maintained the Japanese traditional order in presenting personal names with the surname first, followed by the given name, as it is the current procedure in Japanese studies worldwide. Shibusawa Eiichi belonged to a low-rank samurai family and belonged to the faction "revering the emperor and opposing the foreigners". However, having the chance to participate in the first Paris

Restoration Japan had a status-system based on the four classes of samurai, farmers, craftsmen and merchants<sup>4</sup>. Shibusawa Eiichi published *The Analects of Confucius and the Abacus (Rongo to soroban)*<sup>5</sup> in 1916, in which he argued that the merchants should, just as the samurai had done, prepare an ideological foundation based largely on Confucianism, for educating the next generations. Therein he issued the concept of “unification of morals and economy” (*dōtoku keizai gōichisetsu*). On the other hand, Fukuzawa Yukichi denied Confucian beliefs, and considered that the technical thinking of the West had to be adopted. Both of them considered, at that time, that the cause of Japan’s economic lag was the bad influence which the lack of a religion exerted on Japanese ethical education.

When we examine the views that Fukuzawa and his faction proposed in the *Meirokezasshi* journal<sup>6</sup>, it is clear that they intended to change from the root the ethical principles and social knowledge that Japan had previously held. Shibusawa maintained that: “Even if in the curriculum there are

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world exhibition of 1867, he became a supporter of the opening to foreign influence. In his lifetime he involved himself in the establishment of around 600 schools and 500 companies in various fields.

<sup>3</sup> Fukuzawa Yukichi had been a samurai of the Nakatsu domain but he distinguished himself as the founder of Keiō Gijuku School (later Keiō Gijuku University) and a great educator in general.

<sup>4</sup> The system put the samurai class on top, as soldiers whose mission was to stabilize the country but also were intended to have an intellectual role. The farmers who had the most fundamental role in assuring prosperity were placed second, the craftsmen who produced the things needed in society came third and the merchants who produced the least value directly came last. Just as in medieval European Christianity, they were the most underrated not only because they generated profit just by moving things but also because they took a high interest rate.

<sup>5</sup> The book appeared at Tōadoshobō in the Taishō Era but it condensed his whole thinking and especially his ideas from the beginning of the Meiji Era. For him the *Analects of Confucius* were a book that heightened humanity, and the abacus is a symbol of the merchants. These two things need to be well balanced, in order to obtain the union between ethics and economy. The *Analects* were recorded by the disciples of master Confucius and originally were an ethical collection for the military class.

<sup>6</sup> *Journal of Meiji 6* (明六雜誌) was issued for just a short period, between 1874-1875 by the Meiroku Society which grouped the intellectuals who wanted to “promote civilization and enlightenment”, and was a vehicle for the expression of a wide range of opinions in many fields. The members of Meiroku Society were bureaucrats of the old Bakufu government who created the first Western type schools, Kaiseisho, 開成所 (which later became University of Tokyo) and Keiō Gijuku, 慶應義塾 (which later became Keiō University).

objects such as moral education or ethics, the original, basic purpose of these is not fulfilled. In Europe and America people are educated spiritually through religion, but in our country it is not so.”, and even said that this is a defect of the Japanese system<sup>7</sup>. We feel these views were determined by their belief in the ethnocentric statements of their European partners, however, it is undeniably clear that both Fukuzawa and Shibusawa considered ethical and moral education to be an important factor in Japan’s modernization. Each of these opinion leaders of the Meiji period exerted great influence with their theories, even if they did not have a unitary point of view concerning their vision of Japan’s development.

There are studies that search for the cause of Japan’s accelerated economic development after the Meiji Restoration in the religious ethics of the previous ages. Robert N. Bellah<sup>8</sup> is known for his opinion that religion in Japan influenced the modernization of the country after the Meiji Restoration much like Protestantism had influenced the development of capitalism in Europe.

In this study we intend to show that, Japan chose cooperation rather than the competition in the economic market which characterizes capitalist economy, and to look for the principles that directed economic activity in post-1868 Japan in the field of this age’s education.

## 2. The religious aspects

**2.1. Shingaku** (Edo period blend of Confucian, Shinto and Buddhist ethical principles)

What is usually referred to as Shingaku was not a religion but a set of concepts greatly influenced by religious ethics. Originating in Ishida Baigan’s<sup>9</sup> *Tohimondō* (都鄙問答, *Dialogue between town and country*, 1739, Kyoto), the Shingaku beliefs and concepts were first disseminated among

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<sup>7</sup> Miyoshi Nobuhiro, *Shibusawa Eiichi to Nihon shōgyō kyōiku hattatsushi (Shibusawa Eiichi and the History of the Development of Japanese Commercial Education)*, Tokyo, Kazama Shobō, 2001.

<sup>8</sup> Bellah, Robert Neelly. *Tokugawa Religion: The Values of Pre-industrial Japan*, New York, Free Press, 1957.

<sup>9</sup> Ishida Baigan (1685–1744) was born in a farmers’ family but became a draper’s apprentice at a young age. When the draper’s firm went bankrupt he returned to his family but became an apprentice again at 23. He had been interested in Shintoism, but after meeting a Buddhist scholar he aimed at becoming a scholar himself.

the merchants of Ōmi<sup>10</sup> and then spread to other provinces, through the efforts of Tejima Tōan<sup>11</sup>, one of Ishida Baigan's students who founded private schools for the study of Shingaku. The characteristic of Shingaku is that it makes a synthesis of the three doctrines of Shintō, Confucianism and Buddhism, and Yamamoto Shichihei said we should call it "a Japanese religion". We could say that it was the basis for the actions of Japanese people in daily life, internalized at an unconscious level.

Shingaku ethics is not metaphysical, like Kant's, but definitely pragmatic, nor was it an ethical dogma with a unified point of view.

## 2.2. Shintoist ethics

*Shibata Minoru<sup>12</sup> argues that Shingaku was greatly influenced by Shintoism because: "Amaterasu Ōmikami<sup>13</sup> made simplicity the basic principle and thus impressed the people, and, extolling sincerity, attracted to her side the Three Empowered Shrines".*

As far as Shinto's religious features are concerned, there is the mythology concerning the gods in *Kojiki* and *Nihonshoki*<sup>14</sup>, but there are no teachings with strict meanings. There are concepts of crime and pollution, but they are no more than things to be avoided or omens of ill fate, that appear written in the myths. If we look at them as a large corpus of miscellaneous knowledge, the meanings that come out are that, to preserve the community is a good thing, and that a development based on mutual help rather than competition is considered more virtuous. This is considered to be an influence of rice cultivation-based agriculture. Unlike other types of farming or animal breeding, wet rice fields require the cooperation of the whole community and common work in order to be managed<sup>15</sup>.

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<sup>10</sup> these were merchants from the region around lake Biwa (Ōsaka-Kyōto) who during the 18<sup>th</sup> and 19<sup>th</sup> centuries started to tour the country, establishing themselves in all areas. They were selling goods, brewing sake, lending money.

<sup>11</sup> Tejima Tōan (1718-1786) was the son of a wealthy merchant and entered the school of Ishida Baigan at 18. After the latter's retirement, he opened his own school for the spreading of Shingaku.

<sup>12</sup> Shibata Minoru, *Shingaku*, Tokyo, Shibundō, 1967, p. 8

<sup>13</sup> Amaterasu Ōmikami, the Sun Goddess, was the greatest Japanese deity, and she gave a decree to the three shrines of Ise, Kasuga, and Iwashimizu, extolling the virtues of sincerity, purity and compassion.

<sup>14</sup> the first Japanese chronicles, dating from 712 and 720 A.D. respectively.

<sup>15</sup> as all the wet fields have to be sown, harvested or cleaned of insects at the same time in all the community.

Also, the Shinto belief that human beings are descendants of the gods is an argument for their ultimate goodness. Also, the lack of an elaborate doctrine may be due to our ancestors' awareness of being gods' children, whose original form of praying was not by begging, but by pledging to them<sup>16</sup>. It is also argued that monotheistic religions which have the concept of an opposite, inherently bad nature, cannot escape from the original crime that humans bear from their birth<sup>17</sup>. This is the reason why, monotheistic religions seek salvation in the afterlife, and make a contract with God, and the doctrine has to be constantly present in the consciousness of the believers.

In the case of Shinto, according to the interpretation of Motoori Norinaga, the definition of god is "to be full of awe", and Shinto is centered on feeling the existence of gods<sup>18</sup>. In monotheistic religions, the relationship with the community is realized through a direct covenant with God, but in Shintoism, at the extreme opposite, it is by preserving the relationship with one's community that one creates a relationship with the gods. If this is the case, not only the concept of god, but also that of community differs very much. It was in such a mode of thinking, that the criticism of Japan as having no religion could have arisen.

### 2.3. *Buddhist ethics*

After the introduction of Buddhism in Japan there began a fusion of Shinto and Buddhism called Suijaku Shintō<sup>19</sup>. At that point Buddhism had been quite Japanized. Especially through the "Meritorious Way of Life for All" (*Banmin tokuyō*, 1665), the Sōtō zen monk Suzuki Shōsan (1579-1655) had contended that even merchants have a necessary role in society, and that if they conduct their business honestly their activity is equal to a Buddhist practice. In the Edo class-system the merchants were the most disregarded category, so that, to admit that they are necessary socially if they are honest was enough for having them accepted.

The fusion between the holy and the secular was closely connected to the recognition of the social position of merchants. This idea was groundbreaking even from the point of view of Mahayana Buddhism, and, compared with other Buddhist countries, to consider that living daily

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<sup>16</sup> There is a hypothesis regarding this point.

<sup>17</sup> Mita Shūkai, *Gendai Nihon no seishin kōzo*, Tokyo, Kōbundō, 1965

<sup>18</sup> in "Naorabi" (「直毘靈」)

<sup>19</sup> in which the Buddha and Bodhisattva of Buddhism were considered reincarnations of Shinto gods.

life correctly is a form of religious practice is very specific to Japan. Even in Mahayana Buddhism there is a clear division between secular and holy and living one's daily life is considered in itself a practice. This is the part which will become the core of Shingaku.

Ishida Baigan created Shingaku on the basis on this thinking. Subsequently it will also be strongly coloured by the Jōdoshū beliefs that a world can be created where all people will be saved.

Then there is the Buddhist concept of *shujō no on*, the bond of gratitude that we owe to all the other people. It is interpreted as a connection between the humble and the exalted people, whereby the latter could not exist without the first, while having the duty to protect and help them. It is thought that this conception largely influenced the relief of the socially vulnerable and the leadership style of the Japanese. It was not considered ethical to expel intentionally from the market those who had lost in a competition. Thus, when a company goes bankrupt, it is considered that it will perish naturally from the bad behavior of the top management.

#### 2.4. Confucian Ethics

Confucianism reached Japan at around the same period with Buddhism<sup>20</sup>, but it was during the Edo period that it spread widely. Confucian texts came to be used as textbooks of ethics for the military class. They were used either in *hankō*, the schools of the military domains, or by parents at home. The reason for this was that in Confucianism a lot of importance was placed on good governing of the nation and on relieving the people. It was believed that the stabilization of the country and the protection of the people has to be done continually, and Confucianism is useful for this control of people. The word *keizai*, which is now used to designate the notion of economics, derived from this old concept of 'governing the nation and relieving the people' (經世濟民, *keiseisaimin*).

As time passed, Confucianism spread into the families of rich merchants, farmers or townspeople. Originally, Confucianism had a strong characteristic as a mental attitude for the management of the state and it did not touch directly upon the moral views of merchants. Rather, in Confucian frame of mind, merchants were the last of the four social categories (warriors, farmers, craftsmen, merchants).

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<sup>20</sup> According to *Kojiki* the date of its arrival in Japan was 513.

Notwithstanding that, the thinking concerning finances was若干存在しており、for example, “virtue is the origin, money are the consequence”, or money was only a means for governing the country, and virtue is the most important. Virtue in the Confucian frame referred to the five attributes of benevolence, righteousness, propriety, knowledge and integrity<sup>21</sup>, and was used in Shingaku to complement *shujō no on*, the bond of gratitude that we owe to all the others.

According to Serikawa, business ethics in the *Analects* refers to: ① self-control, ② doing one’s duty, ③ being diligent, ④ frugality<sup>22</sup>. It is a way of thinking that differs widely from the Western principle of competition springing from the pursuit of personal profit.

Confucianism also is difficult to be considered a religion from the point of view of monotheistic religious views, and should be considered rather a way of thinking.

### **2.5. Edo-period popularized blend of Buddhist, Shinto and Confucianism**

In the Edo period Shingaku, which was a blend of Buddhism, Shintoism and Confucianism, was spread by the merchants of Ōmi, but the Meiji government decreed the separation of Shintoism and Buddhism and gave Shinto the utmost national importance. Nevertheless, at the level of the simple people the three doctrines were still in fusion.

As Najita (2009) clearly demonstrated, among the people still existed mutual aid cooperatives which were managed based on the principle of “sincerity and consideration”. Until the second World War there was a general financial system and even after the appearance of modern banks the financiers were treated in a way similar to the management of mutual aid cooperatives (with an exception of Niigata Prefecture for which this is not documented)<sup>23</sup>.

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<sup>21</sup> benevolence meant to care about other people, righteousness, to do one’s duty without being possessed by craving, propriety referred to the manners appropriate in relationships between superior and inferior, knowledge, being well informed and integrity meant sincerity and loyalty.

<sup>22</sup> Serikawa Hiromichi (1994), *Business Ethics: Comparative Cultural Studies*, Tokyo, Taishūkan Shoten, p. 188-190.

<sup>23</sup> Watahiki (2017), “Meijishōki nōson chiiki no shakai kankei shihon to kabushiki torihiki no nettowaaku bunseki: Ojiya Ginkō no kabushiki torihiki”, in *Hirosaki Daigaku Keizai Kenkyū*, Ed. Hirosaki Keizai Daigaku, Vol. no. 40

### 3. Problems of the Education System

#### 3.1. Before the establishment of higher commercial schools

Even after the beginning of the Meiji Era *terakoya* schools continued to exist, using textbooks with a strong Shingaku coloring, such as “*Ōraimono*”, “*Sanjikyō*” or “*Senjikyō*”<sup>24</sup>, for learning reading and writing. Through the Decree #214 from 1875 of the Grand Council of State, regarding the public education system, *terakoya*<sup>25</sup> were transformed into public schools, but content related constraints regarding the textbooks used in primary education did not appear until 1880. Teachers were free to decide the subject of classes, the influence of the private schools where Tejima Tōan’s *shingaku* was taught being very big<sup>26</sup>.

The private schools enjoyed a great degree of freedom, but on the other hand there are no records about them and we can only imagine by and large what kind of education they were doing. Even in the Meiji era, many *ōraimono* were additionally printed and also books about the merchants’ traditional mental attitude and ethical views. On the other hand, a lot of books from the new field of book keeping and company incorporation also appeared. Even from the Edo period there existed merchants who used a certain system of double entry book keeping, but now it was the European system that was being introduced. Also, there were new books called *kaishaben*, introducing methods for the establishment and management of public companies.

Incidentally, the establishment of higher technical education institutions started early, the Imperial College of Engineering being founded in the 4<sup>th</sup> year of the Meiji Era (1872), but in the commercial field it was customary that instruction was given directly by the shop owners to their apprentices<sup>27</sup>. Thus, the first commercial schools that appeared – Osaka

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<sup>24</sup> *Ōraimono* were textbooks for learning to compose letters, used as early as the 12<sup>th</sup> century; they had come to include ready-made expressions appropriate for women, farmers, merchants. *Sanjikyō* were collections on filial piety and manners, imported from China and rewritten to suit Japanese style. *Senjikyō* were textbooks for learning Chinese characters.

<sup>25</sup> *terakoya* here refers to private elementary schools for other citizens than the samurai class. It is said that they existed even as early as the 9<sup>th</sup> century, in the Buddhist temples, hence the name. In the Edo period they employed samurai or monks, and towards the end of the period, even simple townspeople.

<sup>26</sup> Shibata Minoru, *Shingaku*, Tokyo, Shibundō, 1967, *ibidem*.

<sup>27</sup> Miyoshi Noburo, *Nihon no sangyō kyōiku - rekishi kara no hatten*, Aichi, Nagoya Daigaku Shuppankai, 2016.

Shōgyō Kōshūsho (1880), Kōbe Shōgyō Kōshūsho (1878) and Shōhō Kōshūsho (1884) – were all private schools, and it was not until 1903 that national schools appeared.

### 3.2. After the foundation of Higher Commercial Schools

From our modern perspective, a university should teach even economic, or commercial disciplines, but the Imperial University of Tokyo founded in 1877 was aimed mainly at educating bureaucrats for the new institutions of the country and the closest courses were the those on finances taught in the Law and Literature faculty. In the private Keiō Gijuku University courses on commerce were taught in the Economics Department, but without an ethical component as a specialized discipline<sup>28</sup>.

A more pragmatic, generally oriented commercial education was undertaken by the higher commercial schools. In 1884 was founded the first national higher commercial school, with the purpose of “fostering professors for the future commercial schools and professional merchants”, based on the model of the Institute of Higher Studies in Commerce in Antwerp. Being criticized by Shibusawa Eiichi for teaching only the technical aspects of commerce, an ethical education component was soon added<sup>29</sup>.

An overview of the higher commercial schools founded in the Meiji era and the universities that derived from them was synthesized in the following table<sup>30</sup>:

Year of foundation	Higher Commercial School	Number of enrolled students	University that derived from the school
1878	Kōbe Shōgyō Kōshūsho	unknown	Kōbe Daigaku
	Kanritsu Kōbe Kōtō Shōgyō Gakkō (1902)	125	
1880	Ōsaka Shōgyō Kōshūsho (1880)	unknown	Ōsaka Shiritsu Daigaku
	Ōsaka Kōtō Shōgyō Gakkō (1885)	150	

<sup>28</sup> Hirano Takashi and Kaneko Takashi, “The establishment of Faculty of Business and Commerce, Keio University and its curriculum”, *Mita Business Review*, Keio Gijuku Daigaku Shuppankai, Vol.60 No.5, 2017, pp. 55-76

<sup>29</sup> Nagahiro Toshitaka, *Kōtō shōgyō gakkō no keieishi: gakkō to kigyō, kokka*, Tokyo, Yūhikaku, 2017.

<sup>30</sup> Ministry of Education, “Outline of Education Statistics” (*Kyōiku tōkei tekiyō*), 1914 <http://dl.ndl.go.jp/info:ndljp/pid/808564>.

1905	Nagasaki Kōtō Shōgyō Gakkō	120	Nagasaki Daigaku
1905	Yamaguchi Kōtō Shōgyō Gakkō	140	Yamaguchi Daigaku
1910	Otaru Kōtō Shōgyō Gakkō	72	Otaru Shōdaigaku

From the above one can clearly see that these schools, and the public commercial education sector, started later than engineering higher education.

In the Otaru Higher Commercial School, which had a three-year education system, moral-ethics lectures were compulsory in all three years: oriental ethics for the first-year students, moral principles for the second, and national morals and business morals for the third<sup>31</sup>. The curriculum of Kobe Higher Commercial School was similar<sup>32</sup>.

Professor Tanimoto from Kyoto University at that time, criticized Western ethics from the point of view that the moral activity was not harmonized with economy in it<sup>33</sup>. “No one will to protect his employees, seeing them as a mere part of an important machine, making them work long hours, paying them reluctantly. Besides, only young, robust men being accepted to work, some workers lose their job before the age of 40 ...”<sup>34</sup>. He also criticized Christian ethics. In addition, he denied the Western principles of competition, saying his ideal was “to live harmoniously with all, demonstrating our altruistic nature, which is unique for this life (sic), respecting friends and rivals, avoiding outlaw competition, planning for the clients’ convenience, serving the employees’ happiness”. In this way, even in the latter half of Meiji period, the Adam Smith type of ethics, i.e. economic development by competition principles was criticized. Rather, it seems that even from that time, business ethics involved a psychological nuance.

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<sup>31</sup> Otaru Kōtō Shōgyōgakkōhen, “Otaru Kōtō Shōgyōgakkō Ichiranji Taishō 13-14”, at <http://dl.ndl.go.jp/info:ndljp/pid/941142>.

<sup>32</sup> Kōbe Kōtō Shōgyō Gakkō (1906), “Kōbe Kōtō Shōgyōgakkō Ichiran”, p. 26, at <http://dl.ndl.go.jp/info:ndljp/pid/1084303>

<sup>33</sup> Tanimoto Tomeri (1908), “Shōgyō dōtoku wo ronzu”, in *Keizaigaku Shōgyōgaku Kokumin Keizaizasshi*, Kobe Higher Commercial School, Vol. 5, No. 5, (609–632).

<sup>34</sup> Tanimoto Tomeri (1911), “Shōgyō dōtoku no kiso” in *Keizaigaku Shōgyōgaku Kokumin Keizaizasshi*, Kobe Higher Commercial School, Vol. 1, No. 5, (701-716), p. 706.

Then, what kind of education was provided? According to the *Ethics for Commerce Textbook*<sup>35</sup>, which consisted of such chapters and contents as follows: Chapter 1, "Various virtues necessary in order to be trusted", namely "honesty", "dedication", "self-help", "patience", "diligence", "thrift", "honour"; Chapter 2, "Various virtues for business administration" such as "order", "to have employees work after full observation", "to be tolerant rather than severe", "to make employees to think of the common interests", "carefulness", "decisiveness and quickness"; Chapter 3, "The necessity of having a public mind for merchants", with the subtitles "An increase of the interest in public utilities, for the development of civilization", "The widening of the gap between rich and poor, accompanying commercial development", "Some examples of persons who devoted themselves to the public interest", "The virtuous family will be blessed". Besides, *On Japanese Morals*<sup>36</sup> written by Nishimura, was influenced much more by Shingaku than by European philosophy and ethics.

At least, many of these issues cannot be discussed in the domain of Western ethics. Especially, "virtue" and "the characteristic of social publicity" (*shakai kōkyōsei*) are, we can say, concepts based only on the extension of Shingaku. However, at a certain moment during the transition from Taisho to Showa eras, there was a trend to adopt Marxism, but in that context Shingaku was at the heart of the contents of education<sup>37</sup>. One could think of some reasons for which Marxism did not become popular in Japan, but in the first place, it is important to understand that there was no such thing as a conflict between capitalists and laborers, that they were always colleagues. Some say that it was also because, in the agricultural society of Japan, the landowners and the peasants were not in a relationship like those in Europe, but their relationship was more like that between parents and children<sup>38</sup>.

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<sup>35</sup> Nakajima Rikizō, *Shōjyō Dōtoku Kyōkasho*, Tokyo, Dōbunkan, 1901.

<sup>36</sup> Nishimura Shigeki (1887), *Nihon Dōtoku*, self-published by Nishimura Shigeki. At that time there were no syllabi in the modern sense, so that such books as this are useful in surmising what kind of content had the teaching materials of the time.

<sup>37</sup> Nagahiro Toshitaka, *op.cit.*

<sup>38</sup> for example, you can see the same description in Soga Takeru, *Nōson ni okeru giseiteki oyako kankei - hōshakaigakuteki kenkyū* ("Fictional Parent-Child Relationship in Rural Areas - A Legal Sociological Study"), Tokyo, Ochanomizu Shobō, 1992, or, *Sonshōya shintoku* ("Guide For Village Heads") published in 1869,

<http://dl.ndl.go.jp/info:ndljp/pid/787071>

Anyway, there were less than one school in each prefecture in average, and there were only five higher commercial schools in the Meiji period, with at most 600 graduate students annually. Considering that the population of Japan was 45 million in 1902, when the higher commercial schools were founded, and 50 million even in 1912<sup>39</sup>, it is conceivable that the education offered in these schools did not have much influence in any region.

#### 4. The Influence of Generations

According to Shibata<sup>40</sup>, Shingaku was considered as a part of Shinto by the *Imperial Edict on Education* of 1870. But despite its accreditation by the Meiji government, he says, it declined gradually after the construction of the school system which replaced private schools.

Certainly, we cannot help but admit Shibata's assertion that the places where Shingaku had been taught were replaced by the public schools. But contents of education and its spirit were quite another issue. Education was done at home in principle and, after the establishment of the academic system, old textbooks handed down from generation to generation were still used at home and at schools for business education. So, the influence of the Meiji slogan of "Japanese spirit with Western knowledge" (*wakon yōsai*) and of the traditional sense of ethics from the late Edo period can be still seen there.

It is conjectured that it was the difference of generations that influenced the principles of action. For example, Tokutomi Ichiro (Soho) mentioned in his work *New Japanese Youth* (1887) that "the young men stand at the front of social movement. Even if a physiologist sees old men as old and young men as young, in the philosopher's eyes, there are children with gray hair and emaciation and old people with rosy cheeks who look young<sup>41</sup>". In addition, contrasting the "young men of Meiji" who were born after the Meiji Restoration with the "old men of Tenpo", the generation who had performed the Restoration, he wrote that "the young men of Meiji period are not to be led by the old men of Tenpo, on the

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<sup>39</sup>Statistics Bureau of Ministry of Internal Affairs and Communications, *Nihon no chōki tōkei keiretsu* (Long-term Statistical Series of Japan),

<https://www.stat.go.jp/data/chouki/02.html>

<sup>40</sup> Shibata, *op.cit.*, as well as in Tsumura Hidematsu (1911), "Commercial Ethics in Japan and National Morals", in *Economics, Commerce and National Economy Magazine*, Kobe Higher Commercial School, Vol.12, Nr.3, pp.407-440.

<sup>41</sup> Tokutomi Ichirō, *Shin Nihon no seinen*, Tokyo, Shūseisha, 1887.

contrary, they lead the old men of Tenpo"<sup>42</sup>. Some think that the difference between these generations is not only due to the generation gap between the older who, adopting gradually foreign thoughts after opening the country in the Ansei era, also held their traditional thinking, and the younger who were eager to introduce new ideas, but also due to the difference in their age when some political events happened<sup>43</sup>.

For that reason, we will study three separate generations: 1. the generation who performed the Meiji Restoration, 2. the generation who were in managerial positions during the time of the First Sino-Japanese War, 3. the generation which held managerial positions during the Russo-Japanese War.

#### **4.1. The generation who performed the Meiji Restoration**

This is the generation, born during the Tenpo era (1831-1845), who experienced the Tenpo famine<sup>44</sup> in childhood, disasters like the earthquake at Zenkoji (1847) and the earthquakes of Ansei (1854, 1855) and witnessed peasants' and mass revolts from childhood<sup>45</sup>. They became adolescents during the period from Perry's arrival in Japan to the opening of the country. At each feudal domain school, some books published in the Chinese Qing dynasty were read. They contained information about the Opium War (1842), in which Qing China was defeated by the UK and about south-east Asia which had become a colony of western European countries. This news made Japanese people more nationalistic and xenophobic. Nationalistic ideas like the ones of Mitogaku<sup>46</sup> being in fashion, this generation, who experienced the Namamugi Incident, the

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<sup>42</sup> Wasaki Kōtarō (2016).

<sup>43</sup> Maruyama Masao, *Bunmeiron no gairyaku wo yomu* (Reading "Summary of Civilization Theory"), vol. 1-3, Tokyo, Iwanami Shōten, 1986.

<sup>44</sup> At the famine of Tenpo, hundreds of thousands of people died from hunger, with only 30% of the usual harvest yield in some areas. Feudal domains borrowed money to feed people and started to face economic crisis. In the era of decentralization, the central power admitted a delay of the annual contribution, but did not support domains' economy.

<sup>45</sup> First, the peasants had requested the landowner to admit them to postpone to pay, but later became violent. Mass revolts (*uchikowashi*) is the general term for assaults on merchants who lent money with high interest or bought up.

<sup>46</sup> This was a fusion of Kokugaku, study of history and Shinto. There is a theory that Restoration Shinto became nationalism.

Anglo-Satsuma War and Shimonoseki Campaign<sup>47</sup>, seem to have considered commercial activity as a method to protect the country from the foreign powers. Iwasaki Yataro<sup>48</sup> and Shibusawa Eiichi, modern industrialists, for example, appealed for a strong contribution from the state. The ministry of finance distributed <Kaisha-ben> to various places, too, considering that the family-based companies that had existed until that time had limitations in their capacity to enlarge, and this was the reason keeping the Japanese technology underdeveloped.

That is to say, this generation, having experienced life crises like famine in childhood, was dissatisfied with the situation in which poor people could not be taken care of by the public sector because of the economic collapse in various regions of Japan, and with the Edo government which had not been able to manage the critical circumstances of the western European powers and Russia getting closer to Japan to colonize it.

#### *4.2. The generation in managerial positions during the First Sino-Japanese War (1894)*

This is the generation, born during the period from Kaei (1844-1855) to Ansei (1855-1860), who was young at the time of Meiji Restoration. Although this event was very impactful to the warrior class, it was not so important for commoners, except for some millionaires<sup>49</sup>. In the period when they were educated, they had seen a lot of social changes like

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<sup>47</sup> The Namamugi Incident occurred when a samurai from Satsuma killed an Englishman on horse in order to guard the parade of the lord of Satsuma in 1862. UK government, taking advantage of the opportunity, claimed a huge compensation. In the wake of nonpayment of the compensation, the UK and Satsuma entered a state of war in 1863. Then the chauvinist domain of Choshu, having attacked foreign ships which passed the Shimonoseki Strait, started war against USA, UK, France and Netherlands. They realized that their arms are not enough to fight European countries in this war and changed their target to the shogunate government, which did not change the political system and, moreover, made them manage the post-war process.

<sup>48</sup> Iwasaki Yataro (1835-1885), having been a low rank samurai of the Tosa domain, turned to be a merchant and founded Mitsubishi Combine. One of "Three Principles" of its corporate philosophy is "expected service", which means "to devote ourselves to the realization of a rich country, materially and spiritually, through our business and to maintain the global environment at the same time". He believed that the business had to be run from the point of view of the whole country.

<sup>49</sup> Irokawa, Daikichi, *Meiji Cultures*, Tokyo, Iwanami Shoten, 1970.

There were also common people who participated in the war together with samurais like in Nagaoka-han, but it was a very rare case.

*Chitsuroku-shobun*, the abolition of warrior class privileges, sword ban<sup>50</sup>, railway construction and an inflow of foreign products. The aristocracy was renamed Kazoku, and the warrior class Shizoku, but the latter caused civil wars after they had lost not only their privileged salary - a fact that compelled them to work for a living - but also their swords, most importantly a symbol of their pride.

In addition, a large-scale deflation continued until 1885. This was caused by the debt incurred from the UK for the purpose of fighting the Boshin War (1868-1869) at the time of the Meiji Restoration, and in order to keep security during the civil wars started by unsatisfied warriors and by Freedom and People's Rights Movement<sup>51</sup>. To boost the export industry in order to stabilize the finance sector and to import arms were important policy issues at that time. The sheltered work programs system and the state-run factories were built before the Sino-Japanese War.

People of this generation had watched the difference between those who were left behind the times and those who managed to follow the change of the time among warriors, and the difference between those who could keep following the change of time, cooperating with merchants and those who could not.

### *4.3. The generation which held managerial positions during the time of the Russo-Japanese War*

This generation, called by Tokutomi young men of Meiji period, was born around the Meiji Restoration (ca. 1865-1875). They had the chance to be educated in a primary school supported by the school system, but in fact, not all of people went to school because education was not free of cost until 1900. Almost all people, after finishing primary school at the age of fourteen, took over their own family business or started to do a job outside, except for some elite. But even the elite had to learn the business from the merchants, or at some private school, such as Commercial Practical School. For, the official education system at that time didn't serve commercial education. The technical education system had been institutionalized ahead of the commercial education system. The Meiji Constitution was enacted in 1889, and later various systems were created.

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<sup>50</sup> In 1872, Japanese men were banned to tie up hair traditionally and warriors to go out with their sword, symbol of their privilege. The aim of these forced changes of customs was to prevent distinction and judgment of social class by appearance.

<sup>51</sup> Hagi Rebellion occurred in 1876 and Satsuma Rebellion (Seinan-Senso) in 1877, both by those who were unsatisfied with the Meiji government policies.

The commercial code was passed by the Diet in the following year. Some Japanese began to work abroad on the other hand, while foreign investment was restricted very severely at that time. After this generation started to work, commercial education became a part of the public education system.

After witnessing the warrior revolts in their teens, there being little political terrorist attacks after the Meiji Restoration, this generation spent a time when the modern economic system was introduced gradually, along with the establishment of legal system. They lived a period more stable than the other two older generations. On the other hand, international politics was tensed up even in the period between two wars, i.e. Sino-Japanese War and Russo-Japanese War.

## 5. Discussion

The formation of a network between companies by concurrent directors is a phenomenon outside of capitalist competition principles. There are three main conceivable causes.

Firstly, the influence of Shingaku, especially an emphasis on mutual help. Thus, cooperation is preferred to market selection through competition with each other. It is considered that the influence of Shingaku, taught at *terakoya* schools since the Edo period, and its component of mutual help, was great. According to Najita, some examples are reported in which certain people had been members in multiple mutual help associations at the same time. We guess that concurrent directors of banks felt like them. Although industrialization progressed in the Meiji period, it happened only in some limited areas and Japanese rural areas remained rice farming lands. Face-to-face help networks, like mutual help associations were very popular there. That is why, we may conclude that they introduced this idea in company management, too.

Secondly, it is the education at higher commercial schools. Despite the effort of Meirokusha society, which was eager to adopt European ideas and techniques and the country-wide influence of Fukuzawa Yukichi's works, the education practice at the private schools and primary schools preserved the same textbooks that had been used at *terakoya*, with the same contents. That is why, there was an enormous influence of Shingaku in education, directly and indirectly.

Thirdly, industrialists and managers of the Meiji period witnessed the colonization process in Asian countries, and experienced the Sino-Japanese and Russo-Japanese Wars. Through these experiences, even if the

main lands of Japan were not a battlefield, they could not help becoming conscious to be one Japanese people.

## 6. Conclusion

Considering from the point of view of such situations, the inter-company relations in the Meiji period were like mutual aid associations by concurrent directors, and not like a competition to seek a profit maximization. For, in Shingaku, the latter was considered best to be avoided. That is why, it is natural to some extent that concurrent directors were observed in multiple companies in the same field of activity, who would have been in competition each other in the capitalist world.

It is precisely due to the existence of Shingaku that the country could unite together after the Meiji Restoration and during two wars with China and Russia, which led to a quick modernization of the whole country.

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