

The Entrepreneur Who Built Modern Japan

Shibusawa Eiichi

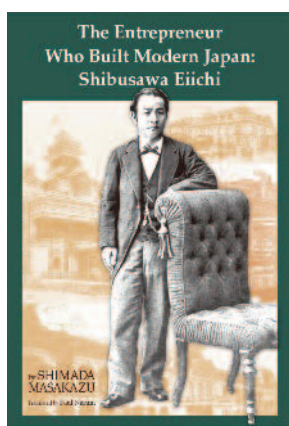
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Shibusawa Eiichi (1840–1931) was one of Japan’s most famous and prolific entrepreneurs, who launched nearly 500 business enterprises—including the Dai-Ichi Bank, Oji Paper, Sapporo Beer, and Tokyo Gas. Living ninety-one years during Japan’s transition from the world of the samurai under the Tokugawa shōgunate to twentieth-century industrial power,

Shibusawa’s life and career is an excellent focal point for studies of the thinking, policies, and management techniques that contributed to Japan’s modernization. Whereas many biographers have been interested in Shibusawa’s seemingly miraculous rise from peasant to industrial titan and the Confucian ideals he espoused in later life, this book focuses primarily on his business career. As the author points out, “[Shibusawa’s] activities as a business leader during the years when most people are in their prime—namely from the age of thirty to around sixty—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” (vii). The analysis of how Shibusawa launched so many businesses and then monitored them through his network of managers is where the book truly excels.

To provide background for Shibusawa’s business career, the book addresses in its first chapter Shibusawa’s youth to his early thirties, when he stepped down from a position with the new Meiji government’s Ministry of Finance to pursue a business career. Dissat-

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isfied with farm life, Shibusawa left his village in the early 1860s to join a plot to seize weapons and attack Westerners in the newly opened port of Yokohama. Abandoning this ill-conceived plan, Shibusawa traveled to Kyoto, where other activists supporting the emperor against the shōgun were gathered. In the process, an acquaintance from his studies in Edo introduced Shibusawa to the Hitotsubashi clan, where he became a samurai retainer. When the head of the Hitotsubashi clan unexpectedly became the shōgun Tokugawa Yoshinobu, Shibusawa was sent to France as part of the shōgun’s embassy to the Paris International Exposition in 1867. Writing of his experience in Europe, Shibusawa noted, “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” (21). When the Meiji Restoration brought to power in 1868 a new regime committed to modernization, Shibusawa worked to introduce joint-stock companies as a means to direct private initiative toward the nation’s economic development. Shibusawa’s rise during this turbulent era was spectacular, and the book’s narrative excellently demonstrates how Shibusawa was both very fortunate in his encounters with a series of benefactors and talented enough to make the most of these opportunities.

In subsequent chapters, the author examines Shibusawa’s management and investment style. While in the Ministry of Finance, Shibusawa drafted the legal framework for Japan’s banking and currency system. In the process, he worked with leaders from the Mitsui and Ono merchant groups (*gumi*) to form the First National Bank (*Dai-Ichi Kokuritsu Ginkō*). As the author notes, “While [Mitsui leader] 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 [adviser Alexander] Shand's double-entry bookkeeping and an auditing system" (39). In 1873, Shibusawa left the Ministry of Finance, eventually becoming the head of the bank he helped create. From this position, he helped finance and launch many other companies. The author's analysis of Shibusawa's portfolio of investments and techniques for organizing companies is especially illuminating. Here we learn that most of Shibusawa's companies were in new industries transplanted from the West and that he invested much in railroads, shipping, and other infrastructure. Moreover, to avoid conflicts of interest when serving on corporate boards, Shibusawa limited himself to one company per industry in most cases or avoided directing two companies from the same industry in the same geographic location (44–49).

In addition to Shibusawa's management style and investment patterns, the book also highlights Shibusawa's network of business associates. Examining data from 1893 to 1907 on forty-nine of Shibusawa's companies, the author found that of the 269 people in executive posts, eight served in four or more companies, eighteen in three, twenty-nine in two, and 214 in just one business. In this analysis, we learn that Shibusawa generally organized companies at the beginning and then left them to others to manage. Monitoring company progress through regular management reports, Shibusawa would occasionally step in if serious problems arose that required personnel changes or his expertise in troubleshooting.

In the book's final chapters, attention turns to Shibusawa's advocacy of business causes in politics, involvement in international relations, and attempts to reduce growing conflicts in Japanese society. On questions such as Japan's 1890s military buildup, transition to a gold currency system, tariffs, and nationalization of railroads, Shibusawa consistently called on Japan's government to avoid reckless military spending and focus more on building the civilian economy and infrastructure. Traveling abroad several times and hosting foreign dignitaries at his home, Shibusawa hoped to

promote better international relations through interactions with business leaders from other countries. From the 1910s, Shibusawa retired from most of his business positions and was active in raising funds for schools, hospitals, and other philanthropic causes. He also supported several organizations to reduce conflict and promote cooperation between management and labor, and between followers of different religions.

This narrative of Shibusawa Eiichi's long life and highly successful business career illuminates many elements of the Tokugawa–Meiji political and economic transition. As a translation of a book that originally appeared in Japanese, some sections may require additional explanation for readers with no background in Japanese history. And although the book is probably too specialized to make the short list of required readings for survey courses in Japanese, East Asian, or world history, it is an essential addition to any university library. It is accessible enough for advanced undergraduates and should be in the bibliography of any well-researched term paper on Japanese political and economic development, business history, and entrepreneurship. It will also be very valuable to faculty members teaching about the Meiji Restoration, the respective roles of the state and private sector in Japanese economic development, or the effects of late nineteenth- and early twentieth-century globalization in East Asia. The book's clear narrative of Shibusawa's life story and strong analysis of Shibusawa's strategies for addressing the political, economic, and ethical problems that entrepreneurs faced in Meiji Japan will certainly reward the reader with new insights into this fascinating period of Japanese and world history.

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