

BOOK REVIEW

CONFUCIAN CAPITALISM: SHIBUSAWA  
EIICHI, BUSINESS ETHICS, AND ECONOMIC  
DEVELOPMENT IN MEIJI JAPAN

JOHN H. SAGERS

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Shibusawa Eiichi (1840–1931) is one of the most respected figures in modern Japanese history. Often referred to as the “father of Japanese capitalism,” Shibusawa rose from humble origins—he was the son of a small-scale indigo farmer and spent his boyhood helping in the family fields and with keeping the books—to become the most powerful business magnate in Japan. He was involved in the founding of hundreds of corporations (many of which are still in operation today), sat on the boards of countless organizations and firms, and was in the Ministry of Finance before being appointed president of the First National Bank of Japan. He was also a devoted philanthropist. The founder and supporter of hospitals, schools, charities, and social service programs, Shibusawa is today

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remembered mostly for being an “ethical capitalist,” or, more specifically, a “Confucian capitalist.”

Why “Confucian”? From the time he was a boy, Shibusawa, at the behest of his Confucianist father, studied the Chinese classics every day with a scholar in a nearby village, eventually committing much of the Confucian corpus to memory. Later eschewing neo-Confucianism and its metaphysical innovations, Shibusawa was most fond of the *Analects*, one of the original Confucian texts compiled by Confucius’ followers after his death. Unlike the neo-Confucianists, Confucius had a generally positive view of trade and business, and Shibusawa agreed that commerce ethically practiced could be beneficial for society as a whole. This Confucian grounding was the motif of Shibusawa’s entire career. In his business dealings and charitable activities alike, Shibusawa cited the *Analects*, and Confucius’ social-mindedness in general, as the guiding principles of his public activities.

So why the renewed interest in a long-deceased Japanese industrialist with a fondness for Spring-and-Autumn Period Chinese philosophy? In the wake of the 2008 financial meltdown and subsequent acceleration of the boom-bust cycle, many in academia and beyond have increased their calls for the taming, if not outright abolition, of capitalism. In *Confucian Capitalism: Shibusawa Eiichi, Business Ethics, and Economic Development in Meiji Japan*, John H. Sagers—whose other works include *Origins of Japanese Wealth and Power: Reconciling Confucianism and Capitalism, 1830–1885*—wants to revisit his earlier thinking about Japan, Inc. (the close relationship between government and business that was the secret of Japan’s success until the end of the bubble economy in the early 1990s) in order to emphasize that “the system [Shibusawa helped build] now needs to be dismantled.” (viii–ix) As Sagers puts it:

Shibusawa’s Confucian capitalism was essentially an ideological strategy to create both ethical guidelines and a positive new identity for the commercial classes. First, Shibusawa called himself a business leader or ‘person of practical affairs’ *jitsugyoka*, which he defined in contrast to several characters of Japanese society: the government official, the military leader, the politician, the scholar, and the old-fashioned merchant. Where government and military officials defended the nation and carried out policies, *jitsugyoka* produced valuable goods and services that contributed to the people’s well-being. Unlike the newly emerging

politicians, *jitsugyoka* did not pander to public opinion and pursue narrow self-interest. Unlike scholars, *jitsugyoka* were not concerned with abstractions, but focused on practical affairs. Unlike Tokugawa-era merchants who were greedy for gain for their households, *jitsugyoka* worked for the good of the whole nation. Furthermore, his Confucianism allowed him to define himself in contrast to foreign and domestic liberals who called for Japan's wholesale Westernization. (113–14)

Critical of “corruption in high places and an economy mired for decades in seemingly inescapable stagnation” (217), Sagers argues that corporations must practice greater corporate social responsibility (CSR) (4) and posits Shibusawa as the model for his proposed reforms.

Divided into eight chapters, Sagers' book is a thematic biography of a famous figure in which the theme largely eclipses the biography. Only two of the chapter titles—the introduction and the conclusion—contain the name “Shibusawa Eiichi.” All the rest zoom out to take in the social and economic changes taking place before and during Shibusawa's long life. Protectionism, business networks, stock exchanges, central banks, labor unions, the gold standard, war financing, infrastructure, bureaucratic involvement in corporate governance, and the influence of technologies and ideas from America and Europe are just some of the big topics Sagers tackles here. This is an ambitious book, and one worth reading if only for the scope of the hundred years or so of modern Japanese history it takes into account.

And yet, as in old Japanese maps, there is a cloud bank obscuring some of what Sagers purports to examine. Indeed, this book, for all of the valuable information it offers the reader, suffers not so much from peripheral blurring as from macular degeneration. There is a big blind spot right in the middle of the book's field of vision. Namely, one wonders what Sagers means by the term “capitalism.” Sagers uses the word in the title of his book and on page after page in his text, but in the end we never quite know how he understands it.

The closest we get is when Sagers quotes historian of capitalism Joyce Appleby in defining capitalism as a “relentless revolution.” Awkwardly, Sagers then has Shibusawa “answer” Appleby (from more than one hundred years before Appleby wrote her volume) that Confucianism was the key to maintaining old societal values

while advancing business in a given polity. (22)<sup>1</sup> But is this purported dichotomy between capitalist and society—framed by Appleby, endorsed by Sagers, and apparently confirmed and then overcome by Shibusawa Eiichi—real? Did Shibusawa “answer” Appleby’s challenge by pursuing a kind of “Confucian capitalism” that took the edge off the Northern European variety? Is the “capitalism” of which Sagers and Appleby write capitalism at all?

Elsewhere in the same book that Sagers quotes above, Appleby writes:

There can be no capitalism, as distinguished from select capitalist practices, without a culture of capitalism, and there is no culture of capitalism until the principal forms of traditional society have been challenged and overcome. (119)

Is Shibusawa Eiichi the exception to the Appleby Rule, then? Was Confucianism really the skeleton key that allowed Shibusawa to unlock the business potential of a traditional society while leaving its traditions largely in place? And is the thing, “capitalism,” that Sagers argues needs reforming really capitalism at all?

The notion of a “Confucian capitalism” is plausible if the premise that “capitalism” is a destructive force, a “relentless revolution” continuously clear-cutting social practices in the quest for more and more money, can be shown to apply in all cases. But if capitalism is not really that at all—that is, if capitalism is just human nature, one of the ways in which human beings attempt to survive and thrive—then “Confucian capitalism” as a heuristic device loses much of its analytic power.

Indeed, if we widen our scope a bit further we can see that the use of the term “capitalist” can be, and has been, applied so willy-nilly to so many different things that it breaks down and is virtually meaningless. Shibusawa Eiichi used technologies such as the joint-stock corporation and the stock exchange to distribute risk and raise money for his various plans. But the Chinese do this, too, and in a way that out-capitalists the very representatives of capitalism themselves. If the Chinese do not have an Applebian “culture of capitalism,” then surely the set phrase can have no ideological

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<sup>1</sup> Citing Joyce Appleby (2010, 7).

purchase, and must be rejected. And if that definition falls, then so, too, does Sagers' thesis, that some kind of philosophical harness, such as Confucianism, is needed to promote virtue among the industrialist class.

Unfortunately for Sagers, Confucius' homeland is a buzzing, blooming capitalist Tilt-a-Whirl. As Kai-fu Lee points out in *AI Superpowers: China, Silicon Valley, and the New World Order* (2018), Stanford-based entrepreneurs once laughed at Chinese startups as cheap knockoffs, but now admit that they cannot keep up with the competitiveness of the Chinese market. American companies routinely fail in China, according to Lee, because they do not take the time to study Chinese culture. If capitalism really does destroy local practices, then China should be indistinguishable from Palo Alto. But as anyone who has ever been to China can attest, China is very much *not* the Bay Area. In other words, "capitalism" has not destroyed anything. It has amplified existing cultural norms and enriched great swaths of humanity. Is this the thing that Sagers thinks needs reforming?

What about elsewhere? In *Debt: The First 5000 Years*, David Graeber reminds us that commerce, and the intricate financial practices and social networks that make commerce possible, have long been a central feature of the Islamic world. This may not qualify as Appleby's "culture of capitalism," but it hardly matters, because business in the *dar al Islam* is still firmly rooted in the religious and cultural practices of the region. Whatever capitalism is, it has been very polite to its Muslim hosts—so culturally quiet, in fact, that one hardly notices it's there. In Africa, too, despite the Orientalist fantasy of the eternally childlike native, men and women prefer to prosper, to thrive materially while improving their social standing. Cheats and con artists always try to turn a quick profit at the expense of morality, but such people are readily sifted out of the market everywhere. (It is only when government intervenes to protect scofflaws, as it does in the United States for the robber barons in Goldman Sachs, that "capitalism" can be said to inflict harm on local societies.) Getting rich, testing schemes, doing good by doing well—these are not somehow proprietary to the West. So, one is left wondering, if "capitalism" is a universal, then how is it modified by Confucianism?

Indeed, even the “Confucian” aspect of Shibusawa’s thought was more complicated than might first appear. For example, in arguing in favor of protectionism after initially supporting English-style liberal trade policies for Japan, Shibusawa cited Adam Smith’s *Theory of Moral Sentiments* in advocating a business approach oriented to society as a whole, and not beholden solely to the entrepreneur. (138) Adam Smith as *reining in* “capitalism”? (It might be time to bring in the fainting couch for Mr. Krugman.)

And when Sagers chides Shibusawa for his too-cozy relationship with government bureaucrats and the managerial state, one wonders if this, too, can really be called capitalism. Sagers himself uses what is arguably the correct term—“crony capitalism”—to describe this inherently corrupt arrangement. Drawing on the work of Morikawa Hidemasa, an earlier Shibusawa scholar, Sagers writes:

Morikawa [...] noted that Shibusawa Eiichi’s name always comes up when it is fashionable to criticize big business as in the case of the 1970s Lockheed scandal or the oil shock and scholars like Tsuchiya [Takao] say that today’s managers need to look again at Shibusawa Eiichi’s thinking to solve contemporary problems. But for Morikawa, the system of crony capitalism known as ‘Japan, Inc.’ (*Nihon Kabushiki Gaisha*) that Shibusawa helped create was the root of Japan’s problems. (220)<sup>2</sup>

But is “Japan, Inc.” capitalist in any real sense of the term? Shibusawa himself floated back and forth between finance and government (he was the recipient of a coveted *amakudari* golden parachute from the Finance Ministry into the “private” sector in 1873 [90]), and used his connections transecting the osmotic membrane between economy and state to enrich himself enormously. It is highly debatable, then, that Shibusawa Eiichi was a capitalist at all, unless “capitalist” also means “crony capitalist,” in which case it means nothing at all. If the state picks winners and losers and uses the implied threat of fines and incarceration to enforce bureaucratic fancy, then perhaps Sagers’ and others’ critiques of such a system as a fault of “capitalism” are greatly misplaced.

Lastly, on whether Confucianism is the best leaven for the purported excesses of “capitalism,” even though it is beyond doubt

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<sup>2</sup> Citing Morikawa Hidemasa (1976, 72–73).

that Shibusawa's Confucian beliefs inspired him to pour enormous amounts of money into social welfare programs, it can hardly be said that the *Analects* is the only book to have spurred the wealthy to part with some of their gains for the sake of the commonweal. The Islamic merchants Graeber mentions grounded their business ethics solidly in the *Quran*, for example, and Christian and Jewish businessmen and -women have done incalculable good for humankind through charitable giving that, quite frankly, puts the Confucianists to shame. Jacob Schiff, Richard DeVos, Howard Ahmanson, Jr., Julius Rosenwald—these tycoons stooped to embrace the forgotten and destitute because the God of Jacob and Abraham, or the Son of Man, said it was good to do so. Even today, Judeo-Christian America remains the most charitable nation on earth. Given all this, one question that might be posed to advocates of Confucian capitalism is, "Why did you pass up capitalism of the Torah, the Hadith, and the New Testament?"

However, these questions for broadening the scope of Sagers' investigation should not be interpreted as detracting from his work. He has clearly scoured the archives in search of material, and his book is an important stepping-off point for debates about this important topic. At the very least, Sagers is correct in his assessment that Japan, Inc.'s days are probably over. As the recession in Japan racks up birthdays and the government continues to shoot arrows from its Keynesian quiver at the indifferent beast, it must be clear to all candid observers that further intervention in the economy is not the answer to capitalism's woes. Sagers' book is a valuable contribution to the deliberations about where to go once—and may the day come quickly—the bureaucrats in Japan and elsewhere grow tired of failure and adopt a more Daoist approach by doing precisely nothing to "help" capitalism recover. It may very well be that a "Confucian capitalism," wherein philanthropy is couched in Confucian practices, is a viable solution to the two lost decades (and counting). Whatever the eventual outcome, Sagers' work is very useful in thinking through the answers to the pressing questions Japan faces as crony capitalism dies a very drawn-out death.

For those considering buying and reading Sagers' book, though, a word about style. Sagers is to be commended for his research, but many of his paragraphs felt like pachinko runs, and there is a cubism to Sagers' argumentation that frequently mystified your

humble correspondent, even after multiple tries at comprehension. The syntax of this book is not for the faint of heart. Sagers darts about from topic to topic, and grasping at the meaning of a given passage can be a bit like trying to catch eels in a pond.

And then there is the glossing trouble. Sagers uses a lot of Japanese terms, which is a good thing, but he glosses them, well, diversely. For example, on the very same page (75), Sagers glosses *shokusan fukyo* (Sagers must mean *shokusan kōgyō* (殖産興業)) as “promoting production and building wealth and strength” and then, about two dozen lines later, as “promoting production for a wealthy country.” On page 62, Sagers gives the exact same phrase as “promote production, encourage industry.” Which is it? Other terms are similarly kaleidoscopic, but *gapponshugi* wins the prize. *Gapponshugi* is a Shibusawa neologism referring to the ‘pooling of monetary capital, managerial talent, and labor to serve the public interest.’<sup>3</sup> Sagers glosses this term repeatedly, and with substantial variation. Sometimes it is just ‘pooled resources,’ but elsewhere Sagers adds a political valence: “resources united to build enterprises that served the nation.” (69; see similar gloss on 97) Important terms like these should be made consistent, especially when much of the argument hangs upon how they are translated.

As Shibusawa himself might have said, though, if you want something, you’ll have to work for it. This dictum applies in full force for anyone who is about to wade through the tall grass of this often challenging book. *Confucian Capitalism* is a welcome return to the life and philosophy of one of the greatest Japanese magnates of the past two hundred years. It is also an opportunity to set the record straight on whether Shibusawa Eiichi—or Japan, Inc.—was, or is, “capitalist” at all.

## REFERENCES

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<sup>3</sup> 45, citing Shimada Masakazu (2011, 30–34).



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