History of Japanese Corporate Philanthropy

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Section 2 From the Meiji Era to the End of World War II

(1) Types and origins of rising entrepreneurs

According to *History of Japanese Industries*,[1] modern Japanese entrepreneurs can be classified as leader types, political types and normal types. Leader-type entrepreneurs were people who contributed to the development of numerous and diverse industries. Political-type entrepreneurs were those who developed their businesses under special protection from the government. Normal-type enterprisers were people who belonged to neither of the other two types.

Representative of the typical leader-type entrepreneur in this period was Eiichi Shibusawa. A typical political-type entrepreneur was Yanosuke Iwasaki, founder of the Mitsubishi industrial conglomerate, who made a fortune by enlarging his shipping business under the full protection of the government on account of his connection with power. Rizaemon Minomura, led the establishment of the Mitsui Bank and Mitsui & Co., negotiated with government officials and persuaded them to give the Mitsui Bank a guarantee to handle public money during its establishment. Since he also received government permission for his document exchange business, it became a mainstay of the fledgling Mitsui & Co. He was, therefore, also a political-type entrepreneur. Other political-type entrepreneurs in this period included Zenjiro Yasuda, Kihachiro Okura, Ichiemon Furukawa, Soichiro Asano and Shozo Kawasaki. They worked with the government and gained an inside track to expand their businesses. Yasuda received a government guarantee to handle public money. Okura supplied imported military goods to the government. The government privatized coal mines, cement factories and dockyards, selling them off to Furukawa, Asano and Kawasaki, respectively. Because of these special privileges, they could consolidate the foundation of their businesses. Meanwhile, it is said that many

entrepreneurs in the textile industry, which was a major industry by the middle of the Meiji Era, did not belong to the foregoing two types. They can be classified as normal-type entrepreneurs. Takeo Yamabe of Osaka Spinning Co., Denshichi Ito of Mie Spinning Co., Kanetaro Katakura of Katakura Silk Reeling Co. and Yoshishige Oguchi of Oguchigumi Silk Reeling Co. belonged to this category. It is also said that there were many bankers from merchant families or farming villages who belonged to the normal-type of entrepreneurs.

From what kinds of backgrounds did the entrepreneurs of the foregoing three categories emerge?

It seems that 47% of the entrepreneurs during the Meiji Era were from samurai families.[2] According to Kenjiro Ishikawa (1976), "It can be said that people from samurai families flourished in the largest numbers in all industries. That is why people from samurai families are described as contributors to Japanese industrialization." In addition, 41% of the population of public servants were people from samurai families. They sustained the nation during the Meiji Era as a nucleus of both public and private sectors. Bellah[3] noted to the point, "We can't consider the Meiji restoration in 1868…as a bourgeois revolution that was a challenge of the economically distressed middle class to gain economic freedom." Moreover, he pointed out, "Only the samurai could lead a fundamental social change movement. There was a political need for the restoration of the Emperor's sovereignty and a build-up of national power. They encouraged economic development as a means to achieve their major aim of increasing national power by using the system of a modern nation they had newly created. … There is no reason to be surprised that the samurai took the initiative in new industries. Because the differences among the classes under the old law had been abolished, the samurai were no longer forbidden to go into industry. They were, rather, encouraged to do it. In particular, the government encouraged the samurai to receive training in technology if they wanted to. The samurai had an advantage in this initiative that the merchants lacked."[4]

What the Sekimon Shingaku taught was to practice secular affairs in a highly ethical manner (asceticism with honesty and thrift) equal to the samurai and be loyal to the nation without self-interest. Other religions also inculcated the customs of obedience, diligence, simplicity and thrift in common people including the farmers. As previously described, the religious–ethical movements of the Edo Era fostered

absolutely no political ability or economic power among the common people that could topple the regime. Rather, they, played the role of fostering an active good labor force and preparing them for the modernization of Japan.

Of course, there were people from farmer's families with strong spirits and abilities who tried to make their fortune and contribute to society through the establishment of enterprises. Maybe, some of them had a mind to scorn the power of the bureaucracy when it tried to control their business. Eiichi Shibusawa is an example of one of these entrepreneurs in terms of his origin from a farmer's family. Japan should be counted as fortunate to have had him as a typical leader-type entrepreneur.

(2) Eiichi Shibusawa's view of nation, society and philanthropy

Eiichi Shibusawa (1840 – 1931) was the first son of a rich farming family in a place which is now called Fukaya City, Saitama Prefecture. While he helped the family business from a young age and showed good ability in the indigo business, he learned *Mitogaku*[5] with his cousin, Junchu Odaka, and came to appreciate the concepts of *Sonnou-Joui*[6] out of patriotism. His first scheme was an extremely radical plot. He planned to take over the nearby Takasaki castle and head to Yokohama to set fire to the town and kill foreigners by sword. His desperate belief that "I can never achieve my vision if I keep farming" energized him, but because of another cousin's dissuasion to engage in such a reckless rebellion, he gave up it and escaped to Kyoto.

From that time, a dramatic change began to occur in him. He became a follower of Yoshinobu Tokugawa[7] in Kyoto. This led him to visit Europe as a member of a mission led by Akitake Tokugawa, Yoshinobu's younger brother. He got news of the end of the Tokugawa shogunate and returned home feverishly. After that, he established a business bureau in the Shizuoka Domain, shortly before he was appointed director of the Taxation Bureau of the Ministry of Home Affairs and Finance. Moreover, he earned a promotion to Director of the Ministry Reorganization of the Ministry of Home Affairs and Finance, Manager of the Ministry of Finance and Director of the Ministry of Finance. However, confronting the government's most powerful figure who thrust his nose into financial matters, Shibusawa tendered a letter of resignation and left public service. Then, he entered in business and established the

Daiichi National Bank and assumed the post of President. Therefore, he contributed inestimably to the development of Japanese industry. The range of corporations established by him or with his support covered major industrial sectors, and their number amounted to about five hundred.

His starting point was *Mitogaku* (a nationalistic ideology, setting the Emperor at the center of the nation) and his lifelong principles were derived from the Analects of Confucius and Mencius. While he recognized his identity as a loyal subject of the Emperor and an adherent of Confucianism, he was neither an obstinate restorationist nor a militarist. His ideal was to achieve a modern, rich nation with high public morality. He hoped to combine liberal economic activities by the private sector with high ethics. In his view, ethics and wealth were compatible and had to be consistent. He described this as "Confucianism and the abacus." Furthermore, he often spoke of "the samurai spirit and business ability." "Confucianism and the abacus" was his term for describing the ideal relationship between ethics and business. Thus it can be said that "the samurai spirit" was his way of describing concisely what people in business should strive for. He believed that people in business should be samurai internally as well as having the ability and creativity of an entrepreneur, and that they couldn't achieve their mission without such a business ability.

He believed, however, that the people in business conducting liberal economic activity and devoting themselves to society must be fairly evaluated and equally treated with the bureaucrats in a rich modern nation. Because of that, he persistently insisted on defeating the sentiment among people to rank the bureaucrats higher than the private sector.[8]

He also devoted himself to philanthropy. There were over 600 non-profit projects he was involved in as a board member or sponsor. In those terms, he was a pioneer of corporate philanthropy. His simple words "Confucianism and the abacus" meant not only the consistency between ethics and business but also philanthropy. Soon after becoming President of the Daiichi National Bank, he assumed the position of Chief Secretary of the Tokyo Yoiku-in, a welfare center, and devoted himself to this duty all his life. His philanthropic activities covered a wide range, including not only social welfare activities like Chief Secretary of the Yoiku-in but also the establishment of the National Commercial School (currently Hitotsubashi University), supporting institutions for women's education (Tokyo Jogakkan Schools for Women, Japan

Women's University) and promoting international exchange (an international friendship "Blue-eyed Dolls" exchange program between Japan and the US).[9] It is easy to enumerate entrepreneurs who practiced social works in his wake such as Kojiro Matsukata,[10] Ginjiro Fujiwara[11] and Magozaburo Ohara[12] but it can be said that nobody covered a wider range and was committed more deeply to social works than he. His spirit of *jin-ai* (love), which is the highest virtue in Confucianism, was the grounds of his passion for such social works.

*"*Jihi*" is to love the people in the precepts of Mencius. In Buddhism, it is mercy, charity and nirvana that guide all people to Buddha's awareness. This seems similar to the egalitarianism in Christianity. It is that the people with happiness help the people with unhappiness to share happiness as equally as possible among people. Therefore, in terms of devoting ourselves to the public and having mercy toward the unhappy people, Confucianism and Christianity share their ultimate goals*.[13]

Furthermore, Shibusawa advocated that salvation of people in need was necessary not only for humanity but also for the economy and politics as "essential for prevention of poverty." He seems to have been researching measures for the salvation of people in need. Such serious commitment to social welfare projects as his was amazing. No other entrepreneur seemed to struggle actively with social welfare issues like he.

While I have come up against the largest number of competitors in the business enterprises that I have primarily engaged in, I have never found any competitors in charitable enterprises. … Those who leave this work entirely to benefactors and charitable persons aim low.[14]

He seemed to express his pride in his charitable achievement and discontent with other entrepreneurs in his words, "I have never found any competitors in the charitable enterprises". He felt disgusted at many of the entrepreneurs who had negative attitudes toward philanthropy. Later in his life, he would speak very emotionally about this.

(3) *Intoku* in the Meiji Era – corporate philanthropy in the modern era

I have defined *intoku*[16] as "performing an altruistic deed with internal affection." I have previously noted that "*sekizen-intoku*"[17] had been widely accepted by the merchants in the Edo Era as a virtue, like one side of a coin, as well as thrift, like the other, and an important virtue in the merchants' economic ethics, in which case, how was *sekizen-intoku* considered in the Meiji Era?

My hypothesis is that in terms of the manner of solving social problems, creating management systems and dealing with scale, sustainability and costs, philanthropy became incomparably more serious and complicated than in the Edo Era as the prosperity of modern industry progressed in the Meiji Era. For one thing, ~~For example~~, in order to seriously tackle such a poor relief project that Shibusawa was engaged in, not only governmental support but also a large amount of sustainable donations became indispensable. Management capability became a requirement along with methods of operating philanthropic projects.[15] By the middle of the Meiji Era, intellectuals had begun to assert the opinion that mere individual good will and charity would be insufficient for salvation of those really in need.[16] At any rate, a legal system that allowed social enterprises to be managed organizationally and sustainably was created in July 1898 when a regulation governing public benefit corporations that was incorporated into Article 34 of the Public Law came into force.

However, in fact, few businesses used this regulation for establishing their own social enterprises. Only 20 corporate foundations were established prior to 1944 when World War II ended.[17] Except for entrepreneurs with enough vocation and passion on philanthropy, such as Ichizaemon Morimura, who established the "Morimura Foundation" and Zenuemon Saito who established the "Saito Gratitude Foundation," or industrial conglomerates with huge financial power, such as the "Mitsui Gratitude Foundation," it seemed that most found establishment of a foundation very difficult. Social conditions at the time also enhanced this trend. The majority of those few foundations that were established were launched during the Taisho Era (1914-24) but the trend fizzled during the Showa Era. After the short-lasting "Taisho Democracy Period" when the public was concerned about improvement of the quality of life and culture, social enterprises related to the improvement of the quality of life got caught in a back draft.[18]

Since, rightfully, using the public benefit corporation system was only one method of philanthropy especially suited to social enterprises available to entrepreneurs, it can't be concluded that philanthropy among entrepreneurs was not popular just because only a few foundations were established. Quite a number of people who emerged as fast-rising entrepreneurs in the early days of modern Japan and affected the social economy or political world in Japan through their brilliant achievements left their footprints not only in their main business but also in the history of philanthropy.

I think that philanthropy from the Meiji Restoration to the end of World War II had not yet blossomed in terms of development as a social enterprise, though I recognize the germ.

(4) Why had philanthropy not blossomed as a social enterprise?

One of the reasons is probably that the rapid industrialization of Japan caused social problems such as a high jobless rate, poverty, pollution, inferior workplace environments, etc., while creating wealth, but people's awareness was not high enough to motivate them to solve these problems voluntarily with a sense of social solidarity. For instance, in the process of the debate on continuing or cutting subsidies to the Yoiku-in, there was an excessive insistence that "Shibusawa is a ringleader for spreading idleness. He meddles, so the idlers increase. Eject the idlers from his Yoiku-in all together." Those subsidies were, in fact, cut off once by a resolution in the Tokyo Assembly.[19] At that time, most people were thinking that welfare activities needed to be borne by the families involved. Without mentioning whether or not the government bore responsibility for welfare, people then had the incorrigible idea of considering people in need to be idlers. That is to say, corporations needed to be fairly courageous to practice social welfare actively when many people supported the notion that distressed people were idle and that their family was to blame for their idleness.

Another reason for their difficulty lay within the word "*intoku*" itself. The true meaning of *intoku* is "performing an altruistic deed with internal affection" but the word "*in*" included within *intoku* is loaded with the image of "unnoticed." "Doing unnoticed good deeds silently" is a high virtue among the Japanese and the quintessence of philanthropy. Many entrepreneurs, however, would waver between this mentality and large-scale philanthropy (social enterprises) performed in the spotlight in

consideration of interests. This is an essential issue in philanthropy and actually, its debate continues even now.

I think that *intoku* had been practiced silently but steadily in every local area outside of the world of the entrepreneurs of big businesses, which flourished by appealing on the national stage. Those who practiced *intoku* silently may have included some with samurai ancestry, but many others were commoners or merchants with local respect or just ordinary people. They were called "*Meiboka* (a person with reputation)." To become a "*Meiboka*" the requirements were to be:

(i) a man of pedigree,
(ii) a man with local reputation and respect,
(iii) a man with experience in taking important local roles such as local representative.
(iv) a man with a passionate concern for his hometown,
(v) a man holding many honorary posts and practicing charity continuously,
(vi) a man with cultural qualification who supports local culture,
(vii) a man with a profound concern for local industry and aggressiveness for its development. (Kunio Anzai, 1982).[20]

"*Sekizen intoku*" was considered an essential virtue by these *Meiboka*. If we hope to know the actual state of philanthropy as practiced by them, we need to study local histories in all parts of the country. This would be a subject for research on modern history of *intoku*.

The last reason is that modern Japan did not embark on a road to enrich the people's lives but selected a road of militarism and imperialism and put all resources into military affairs.

Since the Meiji government was a regime based on military power, the military authorities that held power had a burning thirst for establishment of a General Staff Office free from any control and finally achieved their goal. The generals selected by the General Staff Office could become active cabinet ministers without approval from the Diet. Furthermore, The Office possessed a right to report to the Emperor directly. The military authorities could lead the country straight to militarism without restraint from the Diet or the Prime Minister. The militaristic leaders during this period brainwashed the people using parochial and inhumane military discipline (*Senjinkun*,[21] 1941) based on a distortion of the "samurai spirit" concept that was the

militarists' spiritual pillar. They provoked a desperate preparedness in everyone by implanting discipline and the belief in the minds of the people that losers must die.[22, 23] The military expenditures of Japan increased rapidly by a factor of three from 1936 to 1937 and their proportion became about 70% of national expenditures. Japan had an extraordinarily abnormal budget which created the framework for the nation to concentrate production on prosecuting the war. Then it began a serious invasion of China and plunged headlong into imperialism. The germ of philanthropy was swallowed up by this strong tide.

Notes

1. Hiromi Arisawa (ed.), Development of the Modern Japanese Industries, Emergence of the Modern Enterprises, *History of Japanese Industries*, Nikkeibunko, Tokyo, 1994.
2. Suguru Sasaki, Departure of Modern Japan, *Japanese History, Volume 17*, Shueisha, Tokyo, 1992, p. 68.
3. Robert N. Bellah, *Tokugawa Religion*, Iwanamibunko, Tokyo, 1996, p. 350.
4. *Ibid*., p. 352.
5. A school that flourished in the Mito Domain (today's Ibaraki Prefecture) during the Edo period.
6. The principle of reverence for the Emperor and the elimination of foreigners.
7. Yoshinobu Tokugawa (1837-1913) was the last shogun of the Tokugawa shogunate (1603-1867). In 1867, he returned political power to the Emperor.
8. Above all, it is most to be deplored that the inclination of Japanese people to rank the bureaucracy higher than the civilian world has not vanished yet. Whatever outrage a government official commits is almost always tolerated. …… And whatever achievement to contribute to the nation's development a civilian does is never easily recognized by the Emperor. …… Since I am waiting for the right moment now, I keep myself from expressing dissatisfaction from time to time and don't argue at all. (Eiichi Shibusawa, *Confucianism and the Abacus*, Kokushokankokai, pp. 15-16.)
9. The international friendship "Blue-eyed Dolls" exchange program was planned by an American, Dr. Sidney Lewis Gulick, to mend the relationship between the U.S. and

Japan, which had been damaged by the anti-immigration policy against Japanese immigrants in the US. Shibusawa hosted the program. "Blue-eyed Dolls" were welcomed in various parts of Japan when the dolls were presented as gifts. However, they were ill-treated as representing the enemy during World War II.

10. Kojiro Matsukata (1866-1950) was the founder of the Kawasaki zaibatsu (industrial conglomerate) and a member of the House of Representatives.
11. Ginjiro Fujiwara (1869-1960) was one of the leaders of the Mitsui zaibatsu and called "The King of Paper Manufacturing" as President of the Oji Paper Group.
12. Magosaburo Ohara (1880-1943) was the founder of the Ohara zaibatsu.
13. Teruhiko Sasaki (author and editor), *What is corporate culture?*, Hokujushuppan, Tokyo, 1994, p. 34.
14. Shibusawa Study Group (eds.), *Shibusawa Eiichi - a pursuer of the public welfare*, Yamakawa Shuppansha, Tokyo, 1999, p. 288.
15. The Tokyo Yoiku-in where Shibusawa served as Chief Secretary for a long time had from 200 to 300 inmates in 1873 but over 2,600 residents in 1916. There were grounds for his suggestion to expand its capacity and it was municipalized. As the Yoiku-in was enlarged and diversified, he established the Yoiku-in Charity Fund and collected donations to secure its administrative money.
16. Just after the Sino-Japanese War (1894-95), Noritada Adachi was already saying "Recently, there are many individuals who run the orphanages and of course these are good but such an orphanage run by a charitable person never continues if the person passes away. …… Every charitable enterprise should be a social organization for public service and should not be controlled hierarchically." (Shibusawa Study Group (eds.), *Shibusawa Eiichi - a pursuer of the public welfare*, Yamakawa Shuppansha, Tokyo, 1999, p. 317.
17. Association of Charitable Organizations (eds.), *Japanese Corporate Foundation 1992*, Association of Charitable Organizations, Tokyo, 1992, p. 8.
18. The situation in this period was described in detail in "*Japanese corporations and socio-cultural enterprises – Philanthropy in the Taisho Era*" (Toyo Keizai) by Yutaka Kawazoe and Yoshinori Yamaoka. This book is a collection of articles exploring the characters and the social backgrounds of the foundations typifying the Taisho Era such as the Morimura Foundation and the Saito Gratitude Foundation.
19. Makoto Otani, *Lives in welfare work*, Ozorasha, 1998, p. 38.

20. Suguru Sasaki, Departure of Modern Japan, *Japanese History Volume 17*, Shueisha, Tokyo, 1992, p. 69.
21. A military code, issued in 1941.
22. Olive Checkland wrote about the awfulness of this military code's mind control power in the description of a riot by captured Japanese soldiers in the Cowra Prison Camp in Australia as follows. "Every riot seemed aimed at clearing their disgrace as captives. …… Japanese captives were continually afraid of repatriation. This was because the Emperor's army had severe military discipline which insisted that every Japanese who had become a captive must be executed. Many of them thought that they would never return home." It is only natural that such an inhumane military discipline caused cruelty against the hostile captives. (*Emperor and Red Cross,* Hosei University Press, 2002, p. 126.)
23. In *Samurai-hood*, Inazo Nitobe described it thusly: "Probably, this is the factor explaining why the Red Cross movement that is especially Christ-like could establish a footing among the people in this country so easily." By "this" he meant "Tenderness, mercy and love (which) are the characteristics which beautify the most tremendous military exploits of samurai." That is to say that there has been a tradition that "*Jin* to the weak, the inferior and losers is praised especially as a virtue appreciated in samurai" since ancient times in Japan. On the basis of that, he thought samurai-hood had relevance to international humanitarianism (the Red Cross movement). Such intellectual nobleness to recognize samurai-hood from a worldwide view vanished completely under the militarism of the Showa Era. (Inazo Nitobe, *Samurai-hood*, Iwanamibunko, , pp. 54-55)

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