



## A Re-Examination of Entrepreneurship in Meiji Japan (1868-1912)

Kozo Yamamura

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# *A Re-examination of Entrepreneurship in Meiji Japan (1868–1912)*<sup>1</sup>

BY KOZO YAMAMURA

ALONG with many favourable factors which contributed to the rapid economic development of Japan, the unique and important role played by the early Meiji entrepreneurs has been stressed by many students of the Japanese economy. The Meiji entrepreneurs, these economists seem to agree, were “community-centred”<sup>2</sup> and “had a genuine interest in general economic progress and in the things that benefit the nation as a whole”.<sup>3</sup> “Almost all leading Japanese entrepreneurs of that time”, one recent article observed, “cooperated with the government. Both strongly desired to establish a wealthy, powerful country which would ward off a feared colonization by Western powers.”<sup>4</sup> The predominant view of existing literature, both in English and Japanese, appears to be that the Meiji entrepreneurs possessed unusual degrees of patriotism, *shikon shōsai* (the soul of the samurai with business acumen),<sup>5</sup> and profits could be a “by-product”<sup>6</sup> of their activities.

Among the sources in English, Ranis’s work is an outstanding example of this view. He wrote:

Somewhere between [the extreme Schumpeterian auto-centered entrepreneur and the caricature of the government official—with very few intense desires of any kind] lies the community-centered entrepreneur who seeks to accumulate wealth or power for the community by his individual action; as a by-product he may and very likely will accumulate wealth or power for himself. The motivation is quasi-tribal, to further the ends of the community; the individual seeks to grow, not so much in the reflexion of his wealth, a private good, as in the prestige of the cohesive unit, a social good.<sup>7</sup>

<sup>1</sup> The early drafts of this article benefited greatly from stimulating and critical comments the writer received from Profs. Henry Rosovsky, Ralph Hidy, Arthur Johnson, James Baughman, and Fritz Redlich, all of Harvard University. The Brookings Institution’s Faculty Research Grant enabled the writer to collect necessary sources in Japan and to pursue his current research.

<sup>2</sup> This phrase was coined by Gustav Ranis in his ‘The Community-Centered Entrepreneur in Japanese Development’, *Explorations in Entrepreneurial History*, VIII (1955). For the definition of the term see a quotation above in the text on this page.

<sup>3</sup> Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan* (Cambridge, Mass., 1964), p. 232. This quote applies to Zenjiro Yasuda whom this article discusses.

<sup>4</sup> Kazuo Noda, ‘Japan’s Industrialization and Entrepreneurship’, *Research in Applied Social Science*, VII (Tokyo, 1964), 24.

<sup>5</sup> One Japanese source wrote of *shikon shōsai* as follows: “The samurai class was also the dedicated class. This meant that, in the process of modernization, strong revere-the-officials and scorn-the-public (*kanson mimpi*) and scorn-the-merchants (*senshō*) attitudes were deeply rooted among the leaders of this modernization. The theory of *shikon shōsai* was advanced to make the full use of the samurai’s educated and moral backgrounds in achieving *fukoku* (enrichment of the nation).”—Yoshio Sakata, *Shikon Shōsai (The Spirit of the Samurai and Business Acumen)* (Tokyo, 1964), pp. 139–40.

<sup>6</sup> See quotation from Ranis in the text on this page.

<sup>7</sup> Ranis, *op. cit.* p. 81. George B. Sansom, a well-known student of Japan, also wrote that: “It was these men [samurai], and not the bourgeois, who laid the foundations of a capitalist structure and at the same time developed a political system that bore little resemblance to those which came into force in the advanced industrial countries of western Europe under the influence of a powerful money class.”—

More recently Hirschmeier supported this view when he observed that:

After the opening of the ports, the Japanese people were shocked into a realization of their own backwardness, which had been concealed from them by the closed-door policy and by the official contempt for the western barbarians. . . . The "New Deal in emotions" had indeed taken hold of the nation, and it is the major explanation for the irrational, non-capitalist, dynamic and romantic approach of the pioneering entrepreneurs.<sup>1</sup>

Among the Japanese scholars, Horie and Tsuchiya are leading proponents of this view. Horie reiterated that "the former *chōnin* (merchant) class, especially the wealthy *chōnin* were passive" while "the samurai class possessed strong entrepreneurial spirit" which was the product of their training, ability to cope with hardships, and selfless dedication. In Horie's view the samurai class, therefore, was particularly suited "for the advancement of the new nation".<sup>2</sup> Tsuchiya, who wrote nearly a dozen volumes on related topics, repeatedly stated his view with little or no variation. One of his books expressed his theme as follows:

In the case of Japan, the feudalistic samurai or their sons shouldered the leadership role of the Meiji entrepreneurs. Unlike any other nation, the development of capitalism was guided by bureaucrats who were samurai and by business leaders who were also of samurai origin. . . . Thus, the Meiji entrepreneurs were strongly motivated by the semi-feudal spirit of *shikon shōsai*. This, of course, was inevitable.<sup>3</sup>

Notwithstanding the consensus of opinion on the Meiji entrepreneurs, as seen above, the purpose of this article is to argue that the view is a product of deductive theorizing, conveniently suited to a general discussion of the rapid economic development of Japan, but hardly supportable when a closer examination is made of the behaviour, decisions, and motivations of the leading Meiji entrepreneurs. In discussing the rapid transformation of the Japanese economy, these "community-centred" or patriotic Meiji entrepreneurs, it will be argued, played the role analogous to that performed by a theoretical competitor. Just as the actions of a theoretical competitor "explain" the workings of a smoothly functioning market and provide "solutions" for optimum resource allocations and demand-supply equilibria, a "community-centred" Meiji entrepreneur "explains" Japan's response to the Western stimuli and her rapid economic development and provides a set of convenient "solutions" for the problems involved in the emergence of Japan as a modern industrial nation against the background of Tokugawa traditions of rigid class structure and of *bushi-dō* (the way of the samurai).<sup>4</sup>

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G. B. Sansom, *The Western World and Japan* (New York, 1951), pp. 110-11. On Sansom's view, Hirschmeier commented that: "He [Sansom] is ready to agree that the samurai played a dominant role in the private sector as well as in the government. *Many present-day students of economic development will be in basic agreement with Sansom's statement.*" (My italics.)—Hirschmeier, op. cit. p. 46.

<sup>1</sup> Hirschmeier, op. cit. p. 289.

<sup>2</sup> Yasuzo Horie, *Nihon Shihonshugi no Seiritsu* (*The Formation of Japanese Capitalism*) (Tokyo, 1938), pp. 238-9. Horie's English article "The Government and Industry in the Early Years of Meiji Era", *Kyoto University Economic Review*, xiv (1939), a condensed version of his book published in Japanese, has been quoted widely by several writers including Ranis in his article cited on p. 144, n. 2.

<sup>3</sup> Takeō Tsuchiya, *Gendai Nihon Keizaiishi Kōwa* (*Lectures on Economic History of Modern Japan*) (Tokyo, 1958), p. 53.

<sup>4</sup> The way of the samurai was characterized as follows by a recent Japanese writer: "The samurai, as a member of the ruling class, is responsible not only for the protection of the lives of people, but also for

However, a significant difference between these two—the perfect competitor and the “community-centred” entrepreneurs—is that while no one claims ubiquitous existence for the former, the latter have been said to have carried out the entrepreneurial function in Japan.<sup>1</sup>

To show that the “community-centred” entrepreneurs are a product of deductive theorizing, two closely connected points must be made. The first is that the practice of emphasizing the class origin of Meiji entrepreneurs is continued in order to support the current view of “community-centred” entrepreneurs, though it hinders rather than aids the understanding of the entrepreneurial function performed during the crucial years of Japan’s economic transformation. The second is that the Meiji entrepreneurs are often revealed as unabashed profit-maximizers (in the ordinary sense of the term), regardless of their class origin, when one examines their deeds rather than their public utterances, and the results rather than the reasons given in the autobiographies for their business decisions.

To show that a close examination of Meiji entrepreneurs does not yield the “image” often attributed to them, the first two sections of this article will present a case study of Zenjiro Yasuda.<sup>2</sup> Instead of many candidates far more suitable for the writer’s purpose, this banker was chosen for his “genuine desire to serve the nation” and for the fact that he was one of the most successful entrepreneurs of the early Meiji years.

The third section will present evidence, to make the two points referred to above, which has been gathered from available biographies, company and bank histories, and from recent empirically-oriented studies made by Japanese economic historians. Given the scope of the questions involved and the wealth of sources yet unexamined, this article is presented as a suggestion for further exploration into the neglected areas of Japanese economic history.

## I

Zenjiro Yasuda (1838–1912),<sup>3</sup> “the King of Banking”, who founded one of the

an ethical leadership. Therefore, a samurai, even if he is a mere lower class samurai, must fulfil this responsibility. . . . Because he takes on this responsibility, the samurai must build up a personality which commands the respect of the ruled as their example.”—T. Sagara, ‘Bukeshakai no Dōtoku-kyōiku’ (‘The Moral Education in the World of Samurai’), in T. Furukawa, ed. *Nihon Dōtoku Kyōikushi* (*A History of Japanese Moral Education*) (Tokyo, 1961), pp. 118–22. Quoted from Noda, op. cit. p. 139.

<sup>1</sup> Ranis, op. cit. p. 81.

<sup>2</sup> With the exception of Oland D. Russell’s *The House of Mitsui* (Boston, 1939), there exist virtually no biographies or company histories of Meiji entrepreneurs or firms. Russell’s work is highly journalistic as he was interested in telling the story of the Mitsui family rather than Mitsui enterprises or the family members’ roles as entrepreneurs. The case study of Yasuda presented here is therefore intended partially to fill this gap, as was also the purpose of my ‘The Founding of Mitsubishi: A Case Study in Japanese Business History’, *Business History Review*, xli (1967), 141–60.

<sup>3</sup> The standard authoritative biography of Yasuda is Fumio Yano, *Yasuda Zenjiro Den* (*The Biography of Zenjiro Yasuda*) (Tokyo, 1925), written by a personal friend of Yasuda. Other sources here used include: Shigeo Oda, *Ningen Yasuda Zenjiro* (*The Man Zenjiro Yasuda*) (Tokyo, 1953); Denkichi Matsushita, *Zaibatsu Yasuda no Shin-Kenkyū* (*A New Study on Yasuda Zaibatsu*) (Tokyo, 1937); Toshio Obama, *Yasuda Konzerun Dokuhon* (*The Yasuda Konzerun Reader*) (Tokyo, 1937); Takeō Tsuchiya, *Zaibatsu o kizuita Hitobito* (*The Zaibatsu Builders*) (Tokyo, 1955); The Research Association on Japanese Economic History, *Kindai Nippon Jimbutsu Keizaishi* (*A Biographical Economic History of Modern Japan*) (Tokyo, 1955); Yasuda Gakuen (Yasuda School), *Shō’ō Yasuda Zenjiro Den* (*A Biography of Shō’ō Zenjiro Yasuda*) (Tokyo, 1958). (*Shō’ō* means an aged pine tree and was an honorific title assumed by Yasuda. During the Meiji era, it was customary for those having achieved some financial, political, or literary status to assume such an honorific

two Zaibatsu which began in the mid-nineteenth century, came from generations of peasants.<sup>1</sup> It was his ambitious father who finally bought the share of a *gōshi*<sup>2</sup> (low-ranking country samurai) to become a *chabōzu* (a *han*<sup>3</sup> official who officiates at tea-ceremonies). Though technically a samurai, what a *chabōzu* received from the *han* provided less than an adequate income to the family. To supplement the income, the family farmed, and Zenjiro was found selling flowers on streets, beginning at the age of seven or eight.

Upon finishing six years of schooling at a *terakoya* (temple school), Yasuda—now twelve years old—sold vegetables in Toyama, the *han* capital several miles away from his village. The boy was already very much like the man whom one comes to know shortly. “Not liking to carry empty vegetable baskets”,<sup>4</sup> he bought china in Toyama to sell them in villages on the way home. By doing so he had to carry a heavy load to and from Toyama, but he earned more than his fellow pedlars who rested their shoulders on their way home. This was not all. At nights, he copied books to earn a few additional pennies, often sacrificing his sleep. “At the age when most boys wanted time to play, he did not rest if he could earn.”<sup>5</sup>

One reason for his unusual motivation, invariably cited by his biographers and confirmed by Yasuda himself, was an incident which took place when he was still in his early teens. It is said that he and his father were obliged one day, by the custom of the time, to prostrate themselves as a *kago*<sup>6</sup> surrounded by samurai was passing by. Yasuda found to his surprise that the passenger was not a *daimyō*<sup>7</sup> as he had expected, but a rich money-lender from Osaka. Yasuda, who had always disliked prostrating, vowed to himself then that he must become rich. Though one must guard against overemphasizing the impact of such an incident, this object lesson undoubtedly contributed in forming Yasuda's *Weltanschauung*.

Yasuda's anxiety to “amount to something” caused the seventeen-year-old boy to run away from his home to Edo (renamed Tokyo after the Restoration of 1868) where, he had learned from Toyama medicine-pedlars,<sup>8</sup> he must go to become rich. Though this attempt was unsuccessful, as he was lost in the mountains,<sup>9</sup> Yasuda went to Edo three years later with his father's permission and little

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title ending with *ō* which means an aged man. Pine tree in Japanese connotes honesty, perseverance, and a straightforward personality.)—Kamekichi Takahashi, *Nippon Zaibatsu no Kaibō* (*Dissection of the Japanese Zaibatsu*) (Tokyo, 1930); and Aizan Yamaji, *Gendai Kinkenshi* (*A Contemporary History of the Power of Wealth*) (Tokyo, 1908).

<sup>1</sup> The other founder of a Zaibatsu was Yataro Iwasaki who founded Mitsubishi Zaibatsu, and the subject of my article cited on p. 146, n. 2. The other two of the four Zaibatsu were Sumitomo and Mitsui. Their origins could be traced back to the seventeenth and eighteenth centuries respectively.

<sup>2</sup> The cost of becoming a *gōshi* and a *gōshi*'s status varied from *han* to *han*. But it is known that towards the end of the Tokugawa era the purchase of the *gōshi* status by peasants and merchants became a nation-wide practice. While it is unlikely that quotations for *gōshi* shares remained fixed throughout the Tokugawa period, and it had undoubtedly varied by *han*, one could safely assume that, on the average, 200 *ryo* entitled a non-samurai to use a surname; 500 *ryo* to wear swords; and 1,000 *ryo* entitled him to both. For this information on *gōshi*, I am indebted to Prof. Kazuo Noda of Rikkyo University, Japan. *Ryo* is a monetary unit used in Japan before the Meiji Restoration.

<sup>3</sup> A feudal unit of administration under the control of a *daimyō* (local feudal lord).

<sup>4</sup> Yano, op. cit. p. 105.      <sup>5</sup> Ibid. p. 107.

<sup>6</sup> A basket-like accommodation carried on the shoulders of two men.      <sup>7</sup> See p. 147, n. 3.

<sup>8</sup> The medicine-pedlars of Toyama were as well known throughout Japan as the Yankee pedlars were in the United States.

<sup>9</sup> Having no permission from his parents, he was unable to obtain a *tegata* (pass) which was required at this time to cross a *han sekisho* (border-gates), situated on more commonly used routes. This accounts for his crossing mountains.—Oda, op. cit. p. 29.

else. Upon arriving in Edo, he obtained a job as a *detchi* (shopkeeper's helper) with a toy-wholesaler. In a short time so impressed was the wholesaler by Yasuda's "diligence, clean-living and thriftiness",<sup>1</sup> that he asked the new *detchi* to marry his daughter. Yasuda declined the offer and went to a new job after the three years of contracted service. His next job was with a retailer (dryfish and seaweed) who was also a money-changer. Again, it took very little time for Yasuda to win the complete confidence of his new master. When the contracted three years were up, Yasuda had accumulated six *ryo* and six years of experience. The former was the product of heroic self-denial, saved out of his annual cash wage of two and a half *ryo*,<sup>2</sup> and the latter consisted of a thorough knowledge of both wholesale and retail business and money-changing. The first step to wealth had been completed.

The second step for Yasuda was to become an independent money-changer. With the capital of six *ryo*, his new "shop" consisted of a few rows of coins spread over a discarded sheet of galvanized iron on a busy street corner of Edo. To assure the supply of coins he made rounds of public bath-houses at the crack of dawn, i.e. before his competitors could buy small denomination coins collected the night before by these bath-houses. Though the profit margin was thin and his capital small, Yasuda rapidly increased his business as he won the confidence of his customers for his honesty and the superb "touch" he had with them.<sup>3</sup> In two years he had accumulated 25 *ryo* and was ready to open a little store specializing in money-changing and selling dry-fish, seaweed, and sugar on the side.<sup>4</sup>

As was with his "shop", his new venture was an instant success. As the year 1865 opened he began to concentrate on more lucrative money-changing. The prevailing confusion of the monetary system—*han*-notes, various degrees of debased coins, and their counterfeits<sup>5</sup>—afforded Yasuda an opportunity to expand his trade. When many money-changers were closing their businesses during this period of relative lawlessness, Yasuda, though burgled a few times by *rōnin*,<sup>6</sup> kept his store open, continued to do a brisk business, and gradually established his reputation as being one of the most reliable money-changers in Edo.

When the Restoration came in 1868, Yasuda was no longer a small money-changer. He had become well known for his accurate judgement of coins and the complete reliability of his seals.<sup>7</sup> He had also gained handsomely by selling gold coins to foreigners who were taking advantage of the undervalued gold in Japan.<sup>8</sup>

<sup>1</sup> Yano, op. cit. p. 121.

<sup>2</sup> He was expected to defray all minor expenses out of this meagre annual cash income. This meant that he practised an "unusual degree of austerity" in order to achieve this saving.—Obama, op. cit. p. 21. See also Yano, op. cit. pp. 130-1.

<sup>3</sup> A vivid account of Yasuda's "ingratiating manner" is given in Yano, op. cit. pp. 133-4.

<sup>4</sup> Matsushita believes that "the 25 *ryo* consisted of a bonus he received from his former employer and the cash he obtained by selling all that he owned" in addition to his savings.—Matsushita, op. cit. p. 11.

<sup>5</sup> According to Takagaki, 1,694 coins and notes of all types were in use at that time.—Torajiro Takagaki, *Kindai Nippon Kinyū-shi (A History of Finance in Modern Japan)*, Local Banking Association Monograph no. 20 (Tokyo, 1955), p. 28.

<sup>6</sup> A *rōnin* is a masterless samurai. Yano wrote: "In 1867, the Tokugawa regime had lost its power and *rōnin* and undesirables roamed even in Edo [Tokyo]. Robberies were common and . . . money-changers were constantly victimized."—Yano, op. cit. pp. 151-2.

<sup>7</sup> Coins were sorted and sealed for the convenience of customers who, lacking professional ability to judge the value of coins, had to depend on the honesty of money-changers.

<sup>8</sup> While the international silver-gold ratio was 15 : 1, the Japanese ratio was 5 or 6 : 1 during this period.—Shimbu Newspapers, *Nihon no Rekishi (A History of Japan)* (Tokyo, 1965), x, 91-2.

The new government offered Yasuda a new opportunity in the form of *dajōkan-satsu* (Privy Councillors' notes) which were issued in large quantity to finance the civil war and to defray the costs of the government.

*Dajōkan-satsu* had been issued early in 1868, and by April of that year limited public acceptance and continued issue had caused them to depreciate up to 40 per cent of their face value. Faced with this difficulty, the new government issued an order that the *dajōkan-satsu* were to be accepted at face value. But even with a provision to punish the disobedient, the order had to be cancelled shortly as the new government soon discovered the futility of defying Gresham's Law.<sup>1</sup> But this experiment was enough to triple Yasuda's fortune. Upon learning of the order several hours ahead of the public, he bought as many *dajōkan-satsu* as he could at the depreciated price and sold them at face value, thereby taking advantage of the short-lived order.<sup>2</sup> This *coup* along with his prospering business made Yasuda a rich man by 1870. His fortune was now the sizeable amount of 5,000 *ryo*, over 800 times the original capital with which he had opened a "shop" on a street corner several years before.<sup>3</sup>

Another opportunity for Yasuda was the issue in 1871 of samurai commutation bonds.<sup>4</sup> These were bonds which the new government gave to former samurai who had, in effect, lost their livelihood by the Restoration. But the disorganized monetary market and the continued issue of non-convertible notes in large quantities by the government caused these bonds to depreciate rapidly. Only several months after the initial issue of these bonds, their market value stood at 70 yen, 30 yen below the par value.<sup>5</sup> Yasuda bought these bonds from impoverished samurai and earned better than a 10 per cent return, in addition to what he earned by speculating on the fluctuating prices of these bonds. As seen by the above examples, the first few years of the new government were extremely profitable for Yasuda. By 1874, he had become one of the leading money-changers in Tokyo.<sup>6</sup>

With financial success and an established reputation, profitable opportunities now presented themselves to Yasuda. The Ministry of Justice selected Yasuda in 1874 as its *goyōkin-gata* (a handler of the official funds). This meant that Yasuda could use nearly 100,000 yen of the Ministry funds for his benefit without paying interest on it.<sup>7</sup> Though Yasuda was obliged to reimburse the Ministry funds on a regular and predetermined schedule, he was free to use the funds any way he saw fit while they were in his possession.

By 1876, Yasuda was employing 16 assistants and his half-yearly net profits

<sup>1</sup> This short-lived government order to enforce the circulation of *dajōkan-satsu* at par value was issued on 2 May 1869; violators were to be liable to imprisonment.—Yano, op. cit. pp. 159–60.

<sup>2</sup> Yano wrote: "The record shows that Yasuda's total capital tripled between 1869 and 1870, and I am prepared to credit most of this increase to this operation."—Ibid. p. 160.

<sup>3</sup> Obama, op. cit. pp. 32–3.

<sup>4</sup> These were stipends given to former samurai. For an excellent account of the background, magnitude, and the economic significance of the bonds, see Henry Rosovsky, 'Japan's Transition to Economic Growth, 1868–1885', in H. Rosovsky, ed. *Industrialization in Two Systems* (New York, 1966), pp. 123–30.

<sup>5</sup> The initial commutation bonds earned a 7 per cent interest. Thus, given the going interest rate of about 10 per cent, samurai in need of cash were forced to sell these bonds at approximately 70 yen. Yasuda's speculative activities in relation to this bond are described in Oda, op. cit. pp. 56–7.

<sup>6</sup> Yano, op. cit. p. 198.

<sup>7</sup> Until the mid-1880's this was a common practice of all branches of the central and local governments in Japan.

exceeded 5,000 yen.<sup>1</sup> Thus in that year, when the Banking Act of 1872 was amended, Yasuda was able, with two other leading money-lenders, to establish the Third National Bank. A few years later, in 1879, when it became possible to establish private banks, Yasuda was wealthy enough to establish the Yasuda Bank and be its sole owner.<sup>2</sup> With these two banks as its foundation, Yasuda's fortune multiplied in a predictable fashion. Unlike the colourful and dramatic life of Iwasaki, the founder of Mitsubishi Zaibatsu,<sup>3</sup> Yasuda rose steadily to become "the king of banking" by a series of shrewdly selected investments, by making full use of cost-free government funds at his disposal,<sup>4</sup> and by sound operation of his increasing number of banks.<sup>5</sup> He uncannily judged the trend of the time, taking risks when they were justified and avoiding popular but risky investments.<sup>6</sup>

He was a constantly calculating, "no-nonsense" banker. Even his closest friends were unable to borrow from him if their investments failed to meet all of Yasuda's requirements.<sup>7</sup> Any amount of extravagant V.I.P. treatment failed to loosen his purse strings, as the Chinese government discovered to its chagrin.<sup>8</sup> He remained, in spite of his financial success, a penny-pincher. Though his biographers try to explain it as "a residue of his experience in his earlier life",<sup>9</sup> one of the richest men in Japan was justifiably called "miser" when he rode early-morning trams to take advantage of the "pre-dawn rate" and carried a lunch to business meetings.<sup>10</sup> He was also well known for paying as little as possible to his employees, not because "he might have been thinking in terms of the prices of his early days"<sup>11</sup>—as one biographer suggested—but certainly because of his reluctance to pay not a cent more than absolutely necessary. It is highly unlikely that the shrewd banker was unfamiliar with the price levels of the time.

While the founder of the Mitsubishi Zaibatsu was known for his questionable ethical standards, Yasuda, on the other hand, was a man of a few quiet pleasures.

<sup>1</sup> Yano, op. cit. p. 219.

<sup>2</sup> For details, see Yasuda Bank, *Yasuda Ginkō 60-nen-shi (A 60 Year History of the Yasuda Bank)* (Tokyo, 1940), pp. 44-59.

<sup>3</sup> For the description of the founder of Mitsubishi Zaibatsu, see my article cited on p. 146, n. 2.

<sup>4</sup> Yasuda's cost-free government funds increased as follows (with the year in which he acquired each): The Ministry of Army (1874); Courts and Ward Offices of Tokyo (1874); Tochigi Prefecture (1875); The Ministry of Agriculture and Commerce (1881); The Toyama Prefecture (1883); Hokkaido Administration Agency (1884).—Oda, op. cit. p. 59.

<sup>5</sup> By the end of the Meiji period (1868-1912), Yasuda was in direct control of 15 banks. See also *Yasuda Ginkō 60-nen-shi*, op. cit. pp. 275-6, which has a complete chart of all the banks Yasuda came to control before 1923.

<sup>6</sup> All the biographies of Yasuda make the point that his investments were the kind which "walked on a stone bridge", i.e. were little influenced by short-run trends. Though details cannot be given here, his investments were made, as examples in the following footnotes show, on an unwavering rule of what he considered was "sound". In a word, he was a "conservative" banker. For examples which are demonstrative of his judgement, see Yano, op. cit. pp. 503-15; Oda, op. cit. pp. 167-9; Obama, op. cit. pp. 230-7.

<sup>7</sup> Yano, like many others, cites the case in which one of Yasuda's old friends, who frequently played *go* (a game) with Yasuda, was unable to borrow from Yasuda. Yasuda "refused the request of his friend under circumstances in which all of us would find it impossible to do so."—Yano, op. cit. p. 487.

<sup>8</sup> In 1902, the Chinese government invited Yasuda to discuss a possible investment (the nature of which is not stated). The dignitaries of the government treated Yasuda as though he were a chief of state. The Chinese officials went so far as to refurbish a hotel where Yasuda stayed. But, "finding the venture too risky for his liking, he coldly refused any assistance to the Chinese government." After all the preparation it had made, the Chinese government which had anticipated at least some investment, found his "strength of will" incomprehensible.—Yano, op. cit. pp. 489-90.

<sup>9</sup> *Ibid.* p. 457.

<sup>10</sup> Yasuda Gakuen, op. cit. p. 310.

<sup>11</sup> Yano, op. cit. p. 458.

He painted, enjoyed tea-ceremonies, rode horses, and travelled with his family. When elected to the Diet against his will, he refused to serve on the ground that his political involvement might influence his business judgement. He refused to make political contributions of any kind, or for that matter any charitable contribution, even when he would have received the status of nobility in return.<sup>1</sup> In his old age he became a devout Buddhist, and the story of his life was adopted by children's textbooks for an illustration of "frugality". His death was also characteristic. He was murdered by a young man who was incensed by Yasuda's refusal to contribute to the murderer's cause.<sup>2</sup> When he died the richest man in Japan at the age of 84, he controlled 19 banks with total assets of 18 million yen and had a string of large investments in railroads, insurance, real estate, electricity, gas, and many other areas.<sup>3</sup>

## II

In the standard biographies of Yasuda, one notes that a few "examples" of his "ability to disregard his self-interest" are cited.<sup>4</sup> These examples are to show his patriotism and his "genuine interest in general economic progress", as Hirschmeier put it. Let us examine three "examples" which Yano and Oda cited.

The first "example" is his recommendation to the government to issue bonds to finance the preparations for the Sino-Japanese War. Yasuda, his biographers noted, advised the government to issue the bonds at 5 per cent rather than at 6 per cent because he believed that, "by letting the public know the importance of the bonds in aiding the war effort",<sup>5</sup> the bonds could be sold at 5 per cent. However, Yasuda's concern for the nation's finance is found to be less than patriotic and selfless when one finds that:

Facing the new bond issue of 30 million yen, the bankers objected to six per cent bonds, and refused to cooperate if the bonds were issued at six per cent as the Diet had decided. The main concern of the bankers was that they had already owned a plethora of five per cent bonds issued earlier and feared that, if the six per cent bonds were issued, it would reduce the market price of earlier (five per cent) bonds and create a great confusion in the money market.<sup>6</sup>

<sup>1</sup> In 1911, the government solicited donations from the wealthiest men in the nation to start a social welfare project. Several who contributed received the rank of *danshaku* (baron). Yasuda "refused in spite of the charge that he was more concerned with holding on to his money than getting social recognition."—Yano, op. cit. p. 511.

<sup>2</sup> The contribution was requested to build a "workers' hotel".

<sup>3</sup> "According to the tax office, Yasuda's income during the past year [1920] was 4,360,000 yen and his total wealth exceeded 100 million yen."—*Kokumin Shimbun* (a daily), dated 29 Sept. 1921, appended in Yasuda Gakuen, op. cit. pp. 263-4. This would place Yasuda's private wealth over those of Iwasaki of Mitsubishi and the Mitsui family of the Mitsui Zaibatsu. Yasuda Zaibatsu continued to grow rapidly after his death under his brother and sons. Takahashi and Obama, op. cit. have detailed descriptions of Yasuda Zaibatsu before it was dissolved by the Occupation Forces.

<sup>4</sup> The biographies of Yano and Oda are major ones in this category. If one includes such a biased biography as the one written by Masao Terajima, *Zenjiro Yasuda* (Tokyo, 1938), one could find numerous "examples" of Yasuda's "ideal personal qualities" (p. 3). The examples discussed below in the text are only those recurring in several of his more widely read biographies.

<sup>5</sup> Yano, op. cit. p. 518. Yano, however, noted earlier that "at this time he had an unusually large amount of idle cash on his hands."—Ibid. p. 517.

<sup>6</sup> Yasuda Gakuen, op. cit. p. 178. Though this was written by a group of faculty members at the Yasuda School, careful readers would find that the authors made efforts to present new material which was not included in Yano, op. cit. In my judgement, this book is useful in evaluating Yasuda's actions more objectively.

Yasuda, who was the leader of these bankers, was the most vigorous in objecting to the proposed bonds.<sup>1</sup> The writer of this quotation was perhaps discreet enough not to mention that the bankers may have feared personal loss more than “confusion” in the money market.

The second example cited to show Yasuda’s “vision” to enrich the nation is Yasuda’s interest in the large Tokyo harbour project. The biographers noted in unison that “Yasuda was motivated to bring the wealth to the public.”<sup>2</sup> But again Yasuda’s motivation must be examined with care when one reads:

Yasuda had been buying real estate around the projected canal areas. He had been planning to be the largest owner of these lots. The eight million yen project was a large one. But he had also planned to use his banks and their branches to stimulate deposit for this purpose. This meant that the planned interest of 8·5 per cent could be divided: 6·2 per cent for the depositors, 1·3 per cent for the costs of this operation and the net earning of 1 per cent. One per cent seems to be a small sum, but it is one per cent of eight million yen.<sup>3</sup>

Though Yasuda was murdered before he could actually put his plan into effect, this “example” shows this writer not Yasuda’s “interest in the general economic progress of the nation” but his ability to devote his energy to make a large gain by accumulating small but sure returns, as he had done throughout his life.

The last example involves Yasuda’s efforts to save the 130th National Bank “in the spirit of saving the nation”<sup>4</sup> which was preparing for the Russo-Japanese War. This influential bank in Osaka was on the verge of collapse and had asked for emergency aid from the Bank of Japan. The government, then planning to float external and domestic bonds for the war purposes, supplied one million yen to the bank in an effort to avoid possible financial crisis. But the aid was found insufficient, and Yasuda was “soon found trying to save the bank to avert the nationally undesirable consequences”.<sup>5</sup>

Claiming that Yasuda did not profit by his efforts, his biographers insist that this was an exception from his constant practice of “saving” failing banks to his profit.<sup>6</sup> Rather, Yasuda in this case, his biographers argued, was attempting to alleviate a possible national crisis. One well-known contemporary writer agreed with his biographers that this was an “exceptional case” in that Yasuda failed to profit,<sup>7</sup> but disagreed sharply with Yasuda’s motive:

In 1904, in the affair involving the 130th National Bank, many have written that it was Yasuda’s scheme to borrow six million yen from the government, interest free. But Yasuda failed in this scheme. It has also been said that he mistreated his subordinates to enrich himself. But there is no reason to denounce him on those grounds. Ours is a time of individual freedom and of free competition and no reason exists for denouncing Yasuda who did everything he could to get ahead in this world.<sup>8</sup>

<sup>1</sup> Yasuda Gakuen, *op. cit.* p. 178.      <sup>2</sup> Yano, *op. cit.* p. 554.

<sup>3</sup> Yasuda Gakuen, *op. cit.* p. 258. Both Yano and Oda touched upon the observations contained in this quote. But Yano, for example, stated merely that “this [accumulating deposits at all branches of the Yasuda Bank] would invariably aid the nation’s virtuous custom to save.”—Yano, *op. cit.* p. 551; Oda, *op. cit.* pp. 212–13.

<sup>4</sup> Oda, *op. cit.* p. 158.      <sup>5</sup> Yasuda Gakuen, *op. cit.* p. 207.      <sup>6</sup> Oda, *op. cit.* p. 157.

<sup>7</sup> Oda, however, noted that “After this incident, the 130th National Bank came under the control of Yasuda, and finally . . . in 1923, it was absorbed by the Yasuda Bank.”—*Ibid.* p. 157.

<sup>8</sup> Yamaji, *op. cit.* pp. 281–2.

Observed through these "examples", even Yasuda—the man many writers would agree was far less ruthless than others of his time, e.g. Yataro Iwasaki, Sōichiro Asano, or a dozen others<sup>1</sup>—has difficulty in meeting the specifications of the "community-centred entrepreneur" Ranis described. Yasuda's "obsession" or "prime mover" was not "national strength and survival"<sup>2</sup> but the accumulation of wealth. The energy of his life, it appears to this author, was directed and devoted to making profit not as a "by-product" but as its primary goal.

Reading through Yasuda's biographies (or for that matter the biographies of many other leading Meiji business leaders), Hirschmeier's "irrational, non-capitalist, dynamic and romantic approach of the pioneering entrepreneurs"<sup>3</sup> can hardly be found. Yasuda was every inch the coldly rational capitalist, and his business approach was systematic and wholly unromantic. Neither the few lines excerpted from his writings and compiled for publication a few years before his death<sup>4</sup> nor the contribution he made to the University of Tokyo to build a Yasuda auditorium—an exception to his life-long non-donation policy—make him a "community-centred" or a patriotic entrepreneur any more than the charitable contributions and Sunday-school speeches of John D. Rockefeller make him any less a competitive profit-maximizer.

### III

The implicit theory of those who support the current view of the Meiji entrepreneur is, in effect, that: (a) "Almost all of the leading Meiji business leaders were samurai or quasi-samurai";<sup>5</sup> (b) the *Weltanschauung* of the samurai class is distinct from that of other classes because of the long tradition of the "spirit of the samurai" which was cultivated and preserved by their education and mode of living. The spirit of the samurai was their ability to sacrifice self-interest, be it for his feudal lord (*daimyō*) or for *fukoku* (enrichment of nation, a popular slogan of the Meiji government); thus (c) most of the leading Meiji entrepreneurs possessed *shikon shōsai* and were "community-centred".

The dangers of this type of theorizing have been made evident by examining the case of Yasuda. To emphasize or to assume the meaningfulness of class distinction is the common and necessary weakness of the current view. Yasuda technically was a samurai, but his education and the pattern of his daily life differed little from a peasant's, and, moreover, he is not an exception.

Examinations of the biographies of the leading Meiji entrepreneurs whom Hirschmeier classified as "of samurai origin"<sup>6</sup> reveals that in many cases their class origins are at least doubtful and that they are often very marginal samurai, as was Yasuda. Examples can be cited easily. Yataro Iwasaki came from generations of peasant-merchants. He bought a *gōshi* share so that he could obtain a job with a *han* bureaucracy.<sup>7</sup> Both Rempei Kondo and Ryōhei Toyokawa who helped Iwasaki to build the Mitsubishi Zaibatsu and who were leading businessmen

<sup>1</sup> See p. 146, n. 2; p. 154, nn. 1-4.    <sup>2</sup> Ranis, op. cit. p. 81.    <sup>3</sup> Hirschmeier, op. cit. p. 289.

<sup>4</sup> Hirschmeier quoted from Oda only the first part of the so-called business principles which read: "the purpose of the enterprise to be good, that is for the public benefit. . ." The unquoted second part read, "provided that it is profitable".—Hirschmeier, op. cit. p. 232; Oda, op. cit. pp. 139-40.

<sup>5</sup> Takeō Tsuchiya, *Nihon Shihonsjūgi no Keieishiteki Kenkyū* (*A Business History Study of Japanese Capitalism*) (Tokyo, 1954), p. 170.

<sup>6</sup> Hirschmeier, op. cit. pp. 248-9.

<sup>7</sup> See my article cited on p. 146, n. 2.

in their own rights, were also *heimin* (commoners, i.e. non-samurai) who became marginal samurai. The former was a son of a *han*-doctor who was given a quasi-samurai status and the latter was a son of a *gōshi* who later became a *han*-doctor.<sup>1</sup> Saihei Hirose, the great manager of the House of Sumitomo, is known to have come “from the farm”, i.e. either of peasant or, at most, of *gōshi* origin.<sup>2</sup> Rizaemon Minomura, who had almost single-handedly rebuilt the House of Mitsui, is known “to have come from nowhere” and to have worked as a child. Tsuchiya ventured his opinion that Minomura’s father “was a *rōnin*”.<sup>3</sup> Sōichiro Asano, who was called a “demon of business” for his ruthless activities in the cement and shipping industries, was selling cloth at the age of 15 when “he would have been going through a ceremony of *genpuku* (to mark his attainment of manhood) had he been a samurai.”<sup>4</sup>

These men and others, such as Tomiji Hirano, Takeo Yamabe, and Koiichiro Kawabe,<sup>5</sup> were in fact *chōnin* or at best marginal samurai as in the case of Yasuda. Coming from “very poor families in which there was only one *kimono* for each person”,<sup>6</sup> they rose to become leading entrepreneurs through their willingness to work “for days without sleep”<sup>7</sup> and other qualities similar to those found in Yasuda. In short, biographies of these men show that, however important it may be for the current view, they simply were not the kind of samurai who, with the “spirit of the samurai” and knowledge of Confucian ethics, dedicated themselves to great causes.

A more important point is that the distinction between the samurai class and the *chōnin* class—a distinction which is necessary for the current view—is of highly questionable validity. That the distinction had become unimportant by the late Tokugawa period has been noted often.<sup>8</sup> Horie himself wrote in another part of his book that: “Many samurai had been reduced to supplementing their income by earning wages or by trading,”<sup>9</sup> and Yui, in reviewing Hirschmeier’s book, pointed out the fact that “at the end of the Tokugawa period, one finds rich peasants and small scale entrepreneurs in villages who begin to have thoughts and education akin to those of the samurai class, and [class] distinction between the samurai class [and others mentioned above] became indistinguishable.”<sup>10</sup> Many writers, Western and Japanese alike, would agree with the view that the

<sup>1</sup> See Kazuo Suehiro, *Kondo Rempei Den oyobi Ikō (A Biography of Kondo Rempei and his Writings)* (Tokyo, 1926).

<sup>2</sup> See Kumakichi Uzaki, *Toyokawa Ryōhei* (Tokyo, 1922).

<sup>3</sup> Tsuchiya, *A Business History Study . . .*, op. cit. p. 174.

<sup>4</sup> Tsuchiya, *The Zaibatsu Builders*, op. cit. p. 210.

<sup>5</sup> Bibliographical accounts of these men are found in: Kōkichi Mitani, *Motoki Shōzō to Hirano Tomiji no Shōden (Detailed Biographies of Shōzō Motoki and Tomiji Hirano)* (Tokyo, 1923); Toyo Textile Company, *Tōyō Bōseki Nanajūnen-shū (Seventy Years of Tōyō Textile)* (Tokyo, 1953); Tsuchiya, *The Zaibatsu Builders*, op. cit. pp. 77–8. In this writer’s view, biographical sketches of those men mentioned in this and the preceding paragraphs show them like Yasuda in their determined efforts to become successful “entrepreneurs” in the usual sense of the term.

<sup>6</sup> Tsuchiya, *The Zaibatsu Builders*, op. cit. p. 78. <sup>7</sup> Mitani, op. cit. p. 229.

<sup>8</sup> The weakening of the class structure during the late Tokugawa period and its implication for the Meiji Restoration are, for example, discussed in Takashi Ishii, *Meiji Ishin Ron (A Theory of Meiji Restoration)* (Tokyo, 1961), pp. 213–22. Articles Ishii cited in his discussion and the more popularly read Yomiuri Shimbun’s *History of Japan*, op. cit. are good sources to appreciate the weakening of the class distinction.

<sup>9</sup> Horie, op. cit. p. 83.

<sup>10</sup> Tsunehiko Yui, ‘On the Entrepreneurship in Meiji Japan by J. Hirschmeier’, *Japan Business History Review*, 1 (1966), 105–6.

class distinction had been, as Hirschmeier put it, “blurred” in the late Tokugawa period.<sup>1</sup>

The importance of rejecting the current view lies more in the fact that it encourages misinterpretations of historical facts rather than in the invalidity of the type of theorizing *per se* as depicted in the syllogism described earlier. A case in point is provided by the interpretations of the development of modern banking in Japan. The available sources—especially those written in Japanese—have long maintained that modern banking in Japan was developed by the samurai class under the guidance of the government (which also was manned by the lower-class samurai). These sources also reiterated that the *chōnin* had to be pressured by the government and that the samurai class had to provide examples for the *chōnin* class to follow.<sup>2</sup> Horie and Tsuchiya were vocal in condemning the lack of interest and ability of the *chōnin* class and, like Hirschmeier, credited the samurai class with the founding of the modern banking system in Japan.<sup>3</sup>

Recent studies, however, have shown that the above view is untenable.<sup>4</sup> The results of the author’s own investigation and that of several other Japanese scholars show that the foundation of modern banking in Japan was laid in 1876 when the Banking Act of 1872 was amended to allow profitable banking operations for the first time. All earlier attempts by the government had failed before 1876, but once the profitability of modern banking was assured, banks were established immediately in large numbers.

The long-accepted view, however, has been that:

The rush of the samurai to found banks stands out in striking contrast to the attitudes of the wealthy merchant houses, which had to be forced to establish the first four national banks in 1872. Correspondingly, in this early phase the merchants also fell far behind the samurai as contributors of capital to the whole banking system.<sup>5</sup>

<sup>1</sup> Hirschmeier wrote: “The last decades of the Tokugawa period had done much to blur class distinctions with respect to education, patterns of thinking, and economic activity.”—Hirschmeier, *op. cit.* p. 47. As Hirschmeier clearly stated that “class origin was not of decisive importance in molding entrepreneurs” (*ibid.* p. 256), it is perhaps not accurate to classify him as a supporter of the current view of the Meiji entrepreneurs in all parts as suggested in the syllogism described earlier. However, in spite of his explicit statement to the contrary, Hirschmeier’s work invited such a comment as that by Yui (see p. 154, n. 10). Hirschmeier would, on the other hand, be the first to support the view that the Meiji entrepreneurs were “irrational, non-capitalist, dynamic and romantic” in their approaches.

<sup>2</sup> Tsuchiya quoted Eiichi Shibusawa’s remark in which the latter lamented the lack of initiative within the *heimin* (all non-samurai, i.e. merchants, peasants, and artisans) class. This particular passage has been quoted *ad nauseam* by the Japanese writers.—Tsuchiya, *A Business History Study . . .*, *op. cit.* p. 189. Contrary to such a view of the samurai class, the following observation by Lockwood seems to put the question of the samurai origin *vis-à-vis* the leadership in a better perspective: “It is incorrect to contrast the Japanese samurai and the Chinese scholar-official class as a whole, and to find here a key to the divergence of the two countries after 1868. Many samurai were as inert and obscurantist as the typical Chinese mandarin in the face of the western challenge. As a class they were more idle, more ignorant, more arrogant. Most of them sank into obscurity once their caste privileges were cancelled.”—W. W. Lockwood, ‘Japan’s Response to the West’, *World Politics* (Oct. 1956), pp. 45–6.

<sup>3</sup> Tsuchiya, *A Business History Study . . .*, *op. cit.* p. 189.

<sup>4</sup> I have examined 38 banks established under the amended Banking Act of 1876 relying mainly on available bank records and histories. For the findings of this examination, see my ‘The Role of the Samurai in the Development of Modern Banking in Japan’, *Journal of Economic History*, xxvii (1967), 198–220; Kōkichi Asakura, *Meiji-zenki Nippon Kinyū Kōzō-shi (A History of Early Meiji Financial Structure)* (Tokyo, 1961), and S. Tōhata and T. Takahashi, eds. *Meiji-zenki no Ginkōseido (The Banking System in Early Meiji)* (Tokyo, 1965), are the best Japanese sources among the several expressing this view.

<sup>5</sup> Hirschmeier, *op. cit.* p. 58.

These words by Hirschmeier—and he is being quoted as a representative of many others who wrote in an identical vein—are due, in no small part, to the current view of the Meiji entrepreneurs. When close examinations of available evidence such as the remaining annual reports and bank histories are made, the only possible conclusion is that the main force to establish and operate these banks came from merchants and rich peasants who saw an opportunity for profit, rather than from the samurai class who might have wished to serve the cause of modernization of Japan.

However suited such observations as Hirschmeier's may be to the current view of the Meiji entrepreneurs and to the pattern of economic development suggested by this view, the notion that the success of modern banking in Japan must be attributed to the samurai class cannot be supported. The major "evidence" that the samurai class contributed over three-quarters of the initial capital is inadequate. The fact is that the samurai contributed the commutation bonds they had just received to the establishment of these banks more for lack of alternatives than for any more positive reasons. While the participation of samurai in new banks was thus passive, the *heimin* class participated actively in the majority of new banks by supplying the necessary cash (20 per cent of the initial capital) and the entrepreneurial energy in the form of directors and initiators in obtaining charters. Even the nominal control of banks by the samurai as majority shareholders shifted in most cases to the hands of the *heimin* a few years after the establishment of these banks.<sup>1</sup> Prof. Patrick, who has studied the Japanese financial institutions and who does not subscribe to the current view of the "community-centred" entrepreneurs, aptly summarized the author's view when he wrote: "it [Japan's financial system] was mainly through the initiative of profit-minded individuals that most Japanese financial institutions were born."<sup>2</sup>

The above is only one example, but it is by no means an isolated case of misinterpretation due to the current view of the Meiji entrepreneurs. The author would go as far as to argue that some aspects of Japanese economic transformation during the early Meiji period have been subjected to an analogous misinterpretation. What is necessary now is to review this period of rapid changes in Japan without the conceptual shackle imposed by the current view.

Though the details of each case could not be elaborated here, the direction this review is to take could be suggested *en gros*. For example, in examining the development of the textile industry, one must now evaluate in a new perspective the desire and efforts of the hard-driving son of a wine merchant, Denhichi Itō, in building a textile mill. What also should not be forgotten is the fact that his interest in textiles predated the entrance of the Meiji government to the industry by several years.<sup>3</sup> What one reads in the biography of Itō, who later established the famed Mie Textile Company, is a story of a struggling entrepreneur in the tradition of Samuel Slater.<sup>4</sup> In the shipbuilding industry, the content of Tomiji Hirano's biography tells a story of a man who in 1861 was an aid to a ship's

<sup>1</sup> See my article cited on p. 155, n. 4.

<sup>2</sup> Hugh T. Patrick, 'Banking in the Early Stages of Industrialization: Japan, 1868-1914', in Rondo Cameron, ed. *Banking in the Early Stages of Industrialization* (1967), p. 249.

<sup>3</sup> The Editorial Association of Denhichi Ito's Biography, *Itō Denhichi* (Tokyo, 1936).

<sup>4</sup> *Ibid.* pp. 11-35.

engineer and who went on to build one of the largest shipbuilding firms in Meiji Japan.<sup>1</sup> He, like Shōzō Kawasaki, the builder of the well-known Kawasaki Shipbuilding Company, who “entered into shipbuilding stimulated by the large profit which could be gained by the government subsidies”,<sup>2</sup> struggled to build the industry by taking opportunities and aids which came as the result of the Restoration. Biographies and company histories related to the paper industry, sugar, flour-milling, mining, and others offer detailed accounts of those men who supplied the entrepreneurial energy of Meiji Japan and who can hardly be categorized under the heading of “the community-centred” entrepreneurs.<sup>3</sup>

Stating it differently, the view of Japanese economic development fostered by the supporters of the current view of the Meiji entrepreneurs overemphasizes the uniqueness rather than the similarities of the incentives and modes of behaviour of these entrepreneurs in the process of industrialization. The stress on uniqueness has resulted in the concept of “community-centred entrepreneurs”, which can be repeatedly challenged when close examinations of biographies are made. It has also resulted in statements of so sweeping a character as to imply that the incentive and behaviour patterns of Japanese entrepreneurs are not comparable to their counterparts in any other nation: “The ‘spirit of the samurai’ not only determined official policies but during the Meiji era also became something of a standard public attitude: a happy mixture of militant patriotism and economically rationalized Confucian ethics.”<sup>4</sup> In short, the overemphasis on uniqueness caused many, knowingly or unknowingly, to believe that Japanese economic development came through a route so different as to make it *sui generis*.

But if the view suggested here of the Meiji entrepreneurs is correct, and if the role of the government in the early Meiji years were seen in a proper perspective, as suggested by Prof. Rosovsky,<sup>5</sup> the course of further research is to seek the similarities of the pattern—especially the motivation of entrepreneurs—of Japan’s economic development to that of other nations. The emphasis clearly should not be on an often undefined uniqueness but rather on a more globally applicable set of propositions.

#### IV. CONCLUSION

Though the author is mindful of the preliminary nature of this article, the following conclusion can perhaps be drawn on the basis of the foregoing. The “community-centred entrepreneur” or “the spirit of the samurai” has long been

<sup>1</sup> Mitani, *op. cit.* pp. 90–101. My thanks are due to Prof. Keiichiro Nakagawa of the University of Tokyo who kindly granted me permission to xerox this rare book.

<sup>2</sup> Mitsuhaia Kajinishi, ‘Meiji-shonen no Sangyōshihon’ (‘The Industrial Capital in Early Meiji’), *Shakai Keizai Shigaku* (*Journal of Social and Economic History*), xxv (1959), 4. See also Mitsuhiro Yamamoto, *Kawasaki Shōzō* (Tokyo, 1918).

<sup>3</sup> This is a summary of the writer’s reaction he gained after reading nearly 200 biographies which are available at the Economics Library of the University of Tokyo and the Harvard–Yenching Library. The industries named have more reliable biographies than others.

<sup>4</sup> Hirschmeier, *op. cit.* p. 44.

<sup>5</sup> Prof. Rosovsky would consider the “institutional reform and financial policies” of the government “during the years of transition (1868–1885)” to be of more long-run significance than the fact that the government “operated factories, subsidized certain industries, imported technicians”, etc.—Rosovsky, *op. cit.* p. 113. I agree with this view. As is implicit in this article, I feel that the role of the government during the early Meiji years has been overemphasized to the point of losing sight of the active entrepreneurial activities of the period.

accepted by many in spite of the fact that the concept is a product of deductive theorizing. The untested concept has been convenient for “explaining” Japan’s rapid economic growth. To use a metaphor, the “explanation” offered is no more than a high but spurious correlation coefficient between two variables. The rapid industrialization—uncommon in Asia<sup>1</sup>—and the “community-centred entrepreneurs” with *shikon shōsai* yielded a convenient generalization. One variable seems to be highly “correlated” with the other, giving a comfortable inference of causal relationship. When such variables as Confucian ethics, tradition of loyalty to “higher causes”, class structure, and many more were added from the pool of Tokugawa tradition, this process seemed to yield yet a higher correlation of “explanations”.

The argument of this article is that a fresh re-examination is now in order. However entrenched the current view is, the more globally acceptable profit incentive must now occupy the role of the principal determinant of the entrepreneurial behaviour of the early Meiji years. This is not to say that all the cultural differences between Japan and the West are to be ignored, but it is to say that an entrepreneurial motivation deduced by overemphasizing the cultural uniqueness is clearly in conflict with the evidence seen in biographies, company and bank histories, and other sources. The overemphasis has also contributed, in no minor degree, to what this writer considers as misinterpretations of the process of Japanese industrialization and modernization in its early phase.

*Boston College*

<sup>1</sup> Though Lockwood was frank to note that: “why and how a response of this character [industrialization and modernization] developed so rapidly in Japan, while languishing in China and other neighbouring nations are still elusive issues,” the supporters of the current view can find many of their answers to this issue by invoking the community-centered entrepreneurs.—Lockwood, *op. cit.* p. 37.

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