Shibusawa Eiichi's Starting Point

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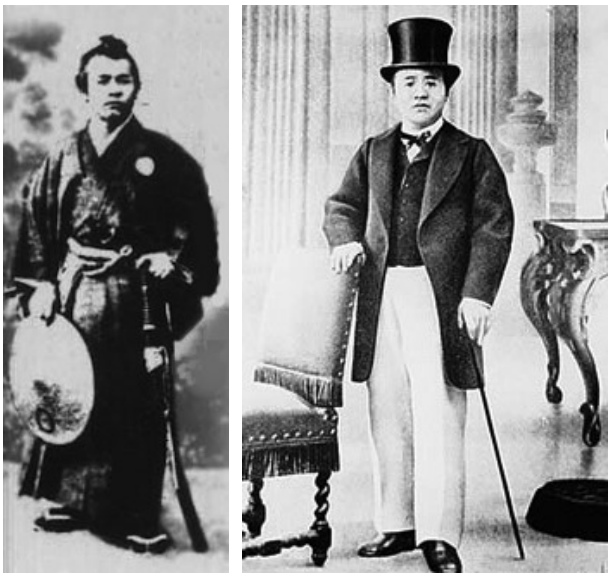
Shibusawa Eiichi was born in 1840 in Chiaraijima-mura, Hanzawa-gum, Musashi-no-kuni (now Chiaraijima in the city of Fukaya, Saitama Prefecture).

While tax was usually paid in rice during the Edo period (1603–1867), a system to pay in cash was already adopted in Chiaraijima. The money economy was disseminated early in this typical farming village because farmland yielding stable crops was scarce in the area, and people were unable to make a living without taking part in commerce in addition to farming.



Shibusawa Eiichi (left in 1866, right in 1867), PUBLIC DOMAIN

Many in the area were engaged in business that involved purchasing indigo leaves, processing them into a raw material for dye called *aidama* (indigo balls) and selling them in Shinshu (now Nagano Prefecture), Joshu (now Gunma Prefecture) and other regions.

Eiichi's father started the business in full scale, which brought them tremendous wealth, developing into one of the richest farming families in the village. Eiichi acquired know-how on the economy while assisting in his family business.

Yet Eiichi was also given a full education by his cousin Odaka Junchu, who was a scholar of Chinese literature and introduced him to reading for learning and culturing his mind. Odaka's way of reading was a bit different for the time, and he made Eiichi read whatever books interested him, one after another. In later years when Eiichi made decisions in his life he often gathered a wide range of information, studied it and then decided on which path to take. This way of decision-making is believed to have come from Odaka's teaching style of reading books on a wide range of topics.

Toward the New World

Shibusawa Eiichi participated in the delegation of the Edo Shogunate dispatched to the Paris Expo in 1867, as a clerk and accountant, and met the "new world" of Europe.

Eiichi displayed his abilities with an extremely flexible and enthusiastic attitude and sharp insight.

While accompanying the Shogun in public events, Eiichi sought guidance from local bankers and observed different facilities. These included banks, stock exchanges, hospitals and welfare facilities, zoos and other entertainment facilities, as well as modern infrastructure for gas and water supply. Eiichi was aware that these facilities were needed for a new Japan. He focused not only on the facilities but also the methods of operation and maintenance, and showed strong interest in *gappon* organizations similar to today's joint-stock companies.

Tokugawa Akitake (center) and Shibusawa Eiichi (left of the back row) photographed during the delegation to the Paris Exposition, 1867, PUBLIC DOMAIN

Shogunate delegation accountants usually think about keeping consumption down and saving the funds supplied by the Shogunate. Eiichi, to the contrary, attempted to increase the assets by using the funds as seed money. Increasing assets was no doubt important in his mind, but Eiichi evidently tried to learn the European systems while experiencing asset operations.

He was also surprised that the King of Belgium tried to sell steel produced in his country to Japan, where demand for steel was predicted to rise. In Europe, politicians and kings were also interested in making their country rich, which was an unthinkable notion in Japan. This incident motivated Eiichi to want to change Japan so that the government and private sectors would work together to improve the country.

After returning to Japan, Eiichi within several months established a gappon organization. The speed in which he did this must have been because he learned the process through actual practice.

Though Eiichi believed in eradicating the custom of respecting bureaucrats and looking down on the citizenry, he began work as a tax officer in the Ministry of Taxation in November 1869, and continued working there and with the Ministry of Finance until 1873. He had never thought of serving

as a government official, but accepted the challenge since he found it greatly meaningful to participate in the building of a new nation.

The elite who gathered for the purpose of building the new nation, deciding what they could do, conducting surveys and research, and formulating policy measures established the Reform Department, and Eiichi was appointed as the department head. The Reform Department, established as an inter-ministry organization for modernizing Japan, was similar to today's think tanks.

In its mere two years of existence, Eiichi vigorously initiated numerous projects that formed the foundation for the modern nation. These include the establishment of a currency system, initiatives for establishing a prefectural decree for the National Bank, establishment of a modern mail system, building railways, establishing a national honor recognition system, disseminating joint stock companies, and developing financial organizations and other ministries. Eiichi's remarkable energy and abilities came to be recognized by the government and made him a trusted figure. For Eiichi, the days he served the Meiji government enabled him to gain knowledge and experience indispensable in his later activities, and also to build human networks that would not have been possible if he were only living as a civilian.

Eiichi later clashed with the Ministry of Finance about national budgets and left along with his boss, the chief administrator of the ministry, Inoue Kaoru (1836–1915). From here, his years active in the private sector began, as he had always intended.

A Companies Man

Shibusawa Eiichi's first efforts in the private sector involved establishment of the First National Bank—Japan's first modern bank. Though the bank bore the name National, it was a private joint stock company. Eiichi worked hard with a belief that the foundation for economy and finance needs to be established first, and then all types of companies should have a joint stock structure.

However, establishing a new joint stock company and getting its business going was never easy. The First National Bank, for instance, underwent hardship because the major investor Ono-gumi Corporation went bankrupt only a year after the bank's establishment. Oji Paper Company, Japan's first full-scale manufacturer, was unable to overcome technological issues that prevented the company from making sellable products, and several years were needed before it began to earn profits. In these difficult years, Eiichi ran around seeking investors' understanding, often on his knees. Shareholders, however, had faith in Eiichi's sincerity and determination, did not complain even when no dividends were paid out, and agreed on capital increases to make up deficits.

Eiichi also supported those who attempted to establish new companies by instructing them on how to get loans from banks and prepare balance sheets, as well as lending his name as a founder and investing funds for business startup. These sincere and patient efforts won public trust in joint stock companies, causing them in one burst to prosper during the Meiji twenties and thirties (1880s and 1890s).

Eiichi was involved with companies in all areas including manufacturing, land transport, marine transport and services, and retired from most of them in 1909 when he turned seventy. In his lifetime, he was reportedly involved in about 470 companies.

One policy Eiichi maintained while active in the business world was staying away from monopolies and avoiding the forming of *zaibatsu*. When a company was established and its businesses began going well, in many cases Eiichi sold his shares and used the funds to support a new company.

Instead of accumulating wealth for himself, he evidently was dedicated to promoting Japan's modernization and industrialization.

While striving to develop businesses in Japan by establishing and cultivating companies, Eiichi also tried to organize economic associations. An example of this is the Tokyo Chamber of Commerce, forerunner to the Tokyo Chamber of Commerce and Industry. It was established in 1878, with a subsidy of 1,000 yen from the Meiji government.

Among Eiichi's reasons for promoting the Tokyo Chamber of Commerce was that he saw the need to establish an organization for unifying the opinions of people in commerce and industry in order to spur revision of unfair treaties the Edo Shogunate had concluded with several countries in its final years, in addition to serving the need to encourage new industries. When the Japanese government negotiated with Ambassador Harry Smith Parkes of the United Kingdom for revising the treaty, saying that public opinion was against the situation continuing, Parkes countered with, "There is no system in Japan for a large number of people to gather and debate. Opinions indicated by different individuals are not public opinions." Thus, it was decided to establish chambers of commerce, because public opinion needed to be unified for revising the treaties, and a forum was needed for forming such opinion.

The national government reportedly gathered influential people in commerce and industry and established these chambers of commerce because of its awareness that industrial development was impossible without the cooperation of these people in the private sector, and that an organization that represents them needed establishing. Yet the people themselves were also keenly aware of the need to establish an organization that represents them in order to have their opinions reflected for realizing sound development of commerce and industry while competing and collaborating with the government and other countries. Thus the wishes of those in commerce and industry were also clearly a factor behind the establishment of chambers of commerce.

Promoting Social and Public Works Projects

After retiring from the business world, Shibusawa Eiichi kept even busier by working in many areas, including social and public works projects, as his last endeavors.

One of these areas was private-sector diplomacy, especially that involving a boycott of Japanese immigrants that arose in the United States and aggravated Japan-U.S. relations. Eiichi tried to improve the situation from a private-sector perspective.

In 1909, Eiichi visited the United States as the head of a delegation of businesspeople, with fifty-one members including the heads of the Tokyo, Yokohama, Kyoto, Nagoya, Osaka and Kobe Chambers of Commerce. The delegation visited sixty-three cities in three months, meeting with local businesspeople and trying to improve relations.

Eiichi also served as the head of the Japanese side in the 1920s goodwill exchange of dolls between Japan and the United States.

He was also engaged in active exchanges with people in Europe and Asian countries, and made his residence available for functions for private-sector diplomacy with many guests invited.

What Eiichi had in mind with private sector diplomacy was, in addition to trying to improve relations, to firmly position the country of Japan in international society.

In welfare, Eiichi was involved with the Tokyo Yoikuin, regarded as the starting point of modern medical treatment and welfare in Japan. As the facility's first president, Eiichi expanded the scope of activities and established, in addition to a nursing home for the elderly, an orphanage, a juvenile reform school, a health resort for physically weak children, and other facilities. These facilities were also equipped to train nurses and nursery staff. Eiichi supported and cooperated with numerous facilities and institutions, mainly the Tokyo Yoikuin.

In the area of education, Eiichi saw importance in education on commerce and women's education, which at the time were regarded as having no place in higher education. He strove for the development of private-sector educational institutions offering education on practical commerce and for women. This spirit has been succeeded by some of Japan's most reputable schools, such as Hitotsubashi University, Tokyo Jogakukan Middle School and High School, and Japan Women's University.

Eiichi is said to have been involved with about 470 companies in his lifetime; yet the number of social and welfare works projects, including efforts for popular diplomacy, surpasses it, totaling around 600. Eiichi passed away at the age of ninety-one on November 11, 1931, to the regret of many, leaving behind distinguished accomplishments in diverse areas that should allow readers to see why he is referred to not only as an entrepreneur but also as an organizer of modernization in Japan.

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