

# A Comparative Study of Business Ethics

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## 1. Introduction

In this brief paper, we shall try to analyse the concept of Business Ethics. For this purpose, we want to adopt the Comparative studies of Business Ethics. The main points of this argument are as follows.

At first, we want to make clear the relation of Modern Capitalism and the Ethics of Calvinism proposed by Max Weber. And next, we want to inquire into the spirit of merchants in the Edo period (1600-1864). We must compare the business spirit of the modern age in Japan and that of the Edo period.

## 2. The Corruption of Japanese Capitalism

With the collapse of the "Bubble Economy" in Japan, we must reflect on the behavior and business ethics of Japanese enterprises.

Recently some terrible facts have come to light. For example, the Asahi Evening News stated that "The Japan Housing Loan Company loaned billions of yen to the real estate company Collins.K.K without demanding sufficient collateral despite the knowledge that it was unlikely to even recover the money. The probe of the Japan Housing Loan is a likely first step toward similar criminal investigations of all seven failed Jusen Companies. The investigators also believe that Japan Housing Loan Company was well aware of the Collins group's troubled financial situation at the time" (June 13,1996).

Another example is the case of Takashimaya Department Store in Osaka city. The executive managers of Takashimaya had been giving much money to a yakuza group. This yakuza group is called "Sokaiya" in Japan. Sokaiya is a rowdy group which operates a protection racket for company stockholder's annual meetings. They are like a parasite living on such companies.

From this view point, is there true capitalism in Japan? How can we find out the business ethics in Japanese enterprises? What do these corrupt economic activities of Japanese enterprises mean?

In Japan, is there no ideal capitalism? This is an important problem for us Japanese.

Before world war II, economic philosopher Kozo Sugimura wrote a book titled "The Structure of Economic Ethics", (Keizairinri no Kozo, Iwanami Pub.,1938). In this book he said that in Japan true modern Capitalism as Max Weber described, does not exist.

For Prof. Sugimura, the most important problems are that there is no ethos of Calvinism in Japanese capitalism. This ethic was called by Max Weber "The ethos of capitalism."

For Weber, that ethos is the spirit of capitalism. This concept was proposed as an ideal type of Modern European capitalism. Ideal type means that it can only be an historical entity, that is a complex of elements associated in historical reality which we unite in to a conceptual whole from the stand point of their cultural significance (Weber, p.47).

For Weber, "The spirit of capitalism" existed in only Western Europe and America. But "capitalism" existed in China, India, Babylon, in the classical world, and in the Middle Ages. But in all these cases, as we shall see, this particular ethos was lacking (Weber, p.52).

### 3. The Cultural Roots of Modern Japan

This title is a new subtitle of Tokugawa Religion by R.N.Bellah in 1985 (first edition, 1957). This famous book contributed ideas for understanding the rapid economic growth and modernization of Japan. Bellah wondered why, without any ethos of Capitalism, Japan accomplished such rapid economic growth after World War II. He said "The book remains one of the few sustained efforts to apply a Weberian sociological perspective to a case that Weber himself did not seriously study. The questions it raises are perennial ones in Japanese Studies" (Bellah, p.xi).

In Tokugawa Religion, Bellah wrote that Japan was the only non-Western nation to have transformed itself into "a modern industrial nation". He sought to show how the premodern cultural roots of Japan helped to account for that success (Bellah, p.xii).

In this book, Bellah shows how the native doctrines of Buddhism (Jodo Shinshu), Confucianism, and Shinto encouraged forms of logic and understanding necessary for economic development. And especially, he took notice of the role of the Shingaku movement started by Baigan Ishida (1685-1744). Ishida had created his own point of view about how to behave in everyday business activities for the merchant class.

According to Bellah's writing, "Shingaku is a movement which began when Baigan Ishida gave his first public lecture in 1729. After the Baigan's death, the movement grew tenfold and by the early 19th century there were many scores of Shingaku lecture halls over Japan" (Bellah, p.133).

Japanese scholars consider it to have been one of the greatest influences on the morality of the common people in the Edo period (Bella, ibid.).

As anthropologist Ruth Benedict wrote her famous work "The Chrysanthemum and the Sword," Japanese feudal society was elaborately stratified and each man's status was fixed by inheritance as in the caste system in India (Benedict, 1946, p.61).

Below the Imperial Family and the court nobles, there were four Japanese castes ranked in hierarchical order: the warriors (samurai), the farmers, the artisans, and the merchants. Below these, again, were the outcaste (the Eta).

The merchants ranked just above the outcasts. Benedict wrote that however strange this

seems to Americans, it was highly realistic in a feudal society. A merchant class is always disruptive of feudalism. As business men become respected and prosperous, feudalism decays. When the Tokugawas, by the most drastic laws any nation has ever enforced, decreed the isolation of Japan in the 17th century, they cut the ground from under the feet of the merchants (Benedict, pp.61-62).

Merchants or traders were called chonin (Mitsui, pp.66). A chonin's status was low, but gradually they gained economic power in the 18th century. On the other hand, the samurai class had the upper position. But a concomitant social development was seen in the changed position of their class. Men of this class, who stood below the feudal lordship, began to find it increasingly difficult to live only on their feudal incomes and were obliged to turn for financial aid to those whom they had always held as the most contemptible class (Mitsui, pp.66).

The samurai class had to borrow money from the merchant class for living. The Tokugawa shogunate in its early days depended for its revenue entirely on taxation, its unit of calculation being rice. Expenditure was likewise in units of rice. Currency was coined, to be sure, and daily transactions of business were carried out by means of currency, but its purchasing value was measured in terms of rice.

The shogunate framed its budgets to meet ordinary requirements but additional expenses were unavoidable. More and more, extraordinary expenditures were needed, for example, such as military undertakings, and for a variety of family incidents and accidents, and feudal lords had to contribute their shares in currency or in kind (Mitsui, p.67). Feudal lords had generally to go to men of the lowest class (merchants) for accommodation. In this social situations, merchants got money and social power. But their class status was still low.

#### 4. The Thought of Ishida Baigan

Any discussion of Baigan's thought must depend largely on the two books which he published, the Toimondo and the Seikaron. Toimondo is really a collection of dialogues, and Seikaron is almost entirely concerned with practical matters and, although of great interest for his ethical teaching, is only occasionally revealing of his philosophical and religious ideas (Bellah, p.147).

Baigan had emphasized the ethic of the merchant class. He took as a model for the chonin ethics that of the samurai class. He insisted in his work Toimondo that the profits of merchants must be reasonable "Obtaining profit from sale is the way of the merchant" (Toimondo, vol.3). For him, "not taking a profit is not the way of the merchant." Perhaps this is a typical insistence for the business ethics for the merchants. The Tokugawa shogunate was in Edo (Tokyo) of course, Edo being the center of political power. But the Shingaku movements by Baigan did not arise in Edo. Bellah pointed out that "perhaps not entirely accidental that it was in Kyoto rather than in Edo where merchants were closely involved with the government and with the luxury trade. Opportunities for graft were

enormous and this encouraged a speculative political capitalism which in turn was reflected in an extravagant style of life" (Bellah, p.145). "Do not have any money on which the sun has set," was said to have been the motto of the Edokko. Edokko means the people who were born in Edo, and their ancestors who had lived in Edo.

"The economy of Kyoto and Osaka had quite another basis, however, and this was reflected in a somewhat different spirit among the merchants of those towns. Osaka was the great trade center of Japan. Products from many provinces—rice, oil, cotton, sake, medicine, etc.—passed through its houses of commerce. The merchants of the Kyoto-Osaka area were noted for their methodical, steady and honest way of life in contrast to the merchants of Edo" (Bellah, p.146). The Shingaku movement was established in Kyoto-Osaka area, and then extended to Edo.

### **5. The Meiji Reform and the rise of Capitalism**

Later in the Edo period, the caste system was on the verge of collapse. As merchants became richer in spite of all Tokugawa restriction, they arranged for their sons' adoption into samurai families.

When feudalism broke down in Europe it was due to the pressure of a growing and increasingly powerful middle class and this class dominated the modern industrial period.

In Japan no such strong middle class arose. The merchants and money lenders bought upper-class status by sanctioned methods. Merchants and lower samurai became allies (Benedict, pp.72-73). Those who would shoulder the future destiny of Japan were a union of lowerclass samurai and the merchant class. And this peculiar union made a new government. This samurai-merchant alliance rapidly put to the fore able and self-confident administrators who drew up the Meiji policies and planned their execution. The real problem, however, is not from what class they came but how it happened that they were so able and so realistic (Benedict, pp.78-79). The new leaders of Japan came from this samurai merchant alliance. In the field of industrial development Japan pursued a course which is unparalleled in any western nation (Benedict, p.92).

Able statesmen and bureaucrats planned and built the public-owned companies for the promotion of Japanese industry and the encouragement of new industry. These public companies were sold gradually at ridiculously low prices to a chosen financial oligarchy, the famous Zaibatu, chiefly the Mitsui and Mitsubishi families (Benedict, p.93). Government officials judged that industrial development was too important to Japan.

### **6. The ethos of Capitalism and Family precepts of Edo period merchants were**

- (1) Remember that time is money.
- (2) Remember that credit is money.
- (3) Remember that money is of a prolific, generating nature.
- (4) Remember that good paymaster is load of another man's purse.
- (5) The most trifling actions that affect a man's credit are to be taken seriously.

(6) Be aware of all your own and possess, and live accordingly.

These doctrines of Benjamin Franklin taught us the spirit of capitalism. The contents of these contain the essence of business activities. Surprisingly, family precepts of merchant in the Edo period contained the same meaning.

(1) You must be frugal.

(2) You should not be luxurious in everyday living.

(3) To be thrifty is a virtue.

(4) You should not cheat a customer to get money.

These precepts express the essence of Business Ethics. The problem is whether these ideas have succeeded in modern Japan, or not. The Mitsui and Mitsubishi families became Big Enterprises (Zaibatsu) after the Meiji Reform as explained before.

## 7. Conclusion

Bellah has stated in his studies that "the Japan was the only non-western nation to have transformed itself into a modern industrial nation". And he proposed the concept of "functional equivalence" as an other sociological functionalist did. That is to say, these family precepts must be an adequate "functional equivalent" for the universal ethic of Protestant Christianity. Of course, we must consider the other cultural elements Bellah analysed in his book. For example, Shinto, Jodo Sinsyu, Shingaku, the morality of group cohesion and so on.

This variety of cultural elements shaped social and cultural systems throughout their long history. These social and cultural complexities are functionally equivalent to the ethos of Japanese behavior. That is what I want to say.

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