

## Science and technology policies should depart from “*Ri Ri Yusen*” utilitarianism

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Sakamoto Ryoma is overwhelmingly popular partly because people still seem to be basking in the afterglow of NHK’s period drama “*Ryoma-den*” (Ryoma Story). And yet, quite a few others flourished at the dawn of modern Japan. Shibusawa Eiichi is one such super hero.

Shibusawa Eiichi is widely known as the “father of Japanese capitalism.” His thoughts and actions are attracting attention again now, and 2011 marks the 80th anniversary of his death.

Shibusawa Eiichi studied in France at the behest of Tokugawa Yoshinobu, the 15th and last shogun of the Tokugawa Shogunate. In 1869 or the second year of the Meiji period, he was invited by the new government to become a member of the Ministry of Finance, where he shaped the taxation and other national systems. In the sixth year of the Meiji period (1873), he resigned from the Ministry and entered the business world. This career change was motivated by his conviction in the economy as a national foundation.

At first, he became *Sokan-yaku* of a private-sector bank named *Daiichi Kokuritsu Ginko* (literally translated as the “First National Bank”), which had been established under his own guidance. “*Kokuritsu*” means “national,” and “*Sokan-yaku*” corresponds to CEO. He went on to launch more than 500 joint stock companies in almost all industrial fields, including paper manufacturing, yarn-making, transportation, cement, gas, electricity, fertilizers and bricks. He devoted himself to nurturing the industrial circle as a distinguished leader partly by serving as Chairman of the then *Tokyo Shoho Kaigisho*, now the Tokyo Chamber of Commerce and Industry (*Tokyo Shoko Kaigisho*).

His activities were not confined to the business world. He made a special effort to develop private-sector diplomacy between Japan and the U.S. He also generously offered support and cooperation for social works by the *Tokyo Yoiku-in* (literally translated as “Tokyo Asylum”) and other organizations, education projects by entities such as the Japan Women’s University, as well as public works such as urban development in Tokyo. He is said to have been involved in more than 600 public services.

In this way, Shibusawa Eiichi unflinchingly made significant contributions to the development of Japan as a modern nation right up until his death at the age of 91 in 1931 or the sixth year of the Showa period. This is where his unique ideas are said to have been placed.

### Feud with Iwasaki Yataro

There is an episode that symbolizes the thoughts of Shibusawa Eiichi.

According to the biography *Shibusawa Eiichi*, Eiichi Memorial Foundation, 1956, written by Shibusawa Hideo, the youngest son of Eiichi, there were differences in the ways of thinking between Shibusawa Eiichi and Iwasaki Yataro, who was the founder of the *Mitsubishi Zaibatsu* (Mitsubishi financial clique) and another outstanding business leader.

In August 1878 (the 11th year of the Meiji period), Shibusawa Eiichi was invited by Iwasaki Yataro to a very traditional Japanese-style restaurant in Mukojima, Tokyo. When Shibusawa Eiichi, the only guest, sat in the parlor, Iwasaki Yataro wasted no time telling him his idea.

“If you and I work together closely and manage businesses, we would be able to make the Japanese business world go wherever we want it to go. How about getting together and achieving greatness?”

In essence, Iwasaki Yataro approached Shibusawa Eiichi with the idea of their becoming two millionaires working together. And yet, that was the very opposite idea to Shibusawa’s. From the viewpoint of Shibusawa Eiichi, the purpose of management was to enrich the nation and its people. He thought that any joint stock organization, which he named “*Gapponhou*,” should be managed in an ethical way and that earned wealth should not be monopolized by any individual but should be widely distributed. This he explained to Iwasaki.

The two men were in fierce conflict with each other.

“That’s nonsense! What you call ‘*Gapponhou*’ is a kind of organization that can be described as ‘all chiefs and no Indians’ as the proverb says.”

“No. A monopolistic enterprise is an indication of the egoism of a person who has been skewed by greed.”

Shibusawa Eiichi got up and walked away. The feud between the two is said to have persisted for quite a long time.

### Alignment theory of ethics and economy

Shibusawa Eiichi advocated the alignment of ethics and economy, arguing that the ethics of humanity and justice and the profit-making process should not be at odds, but rather they can be realized in parallel.

To put his theory plainly, if Japan as a nation wants to prosper, it needs to begin with the enrichment of the nation. Therefore, industrial and commercial activities should be promoted by adopting science and technology in an aggressive way. That means the encouragement of new industry. Commerce and industry should be organized as joint stock companies or “*Gappon*” in his term. And yet, the management of *Gappon* companies must not ignore ethical righteousness in the pursuit of profits.

Japanese classical scholars often pointed out that ethics and profits would not go together, quoting the following aphorism: “People will not prosper if they fulfill their ethical missions, while they will not fulfill their ethical missions if they prosper.” From their point of view, the hallmark of a person of integrity is where the person has no desire for fame and wealth.

In contrast, Shibusawa Eiichi interpreted the Confucian ethic as considering unethical profit-making as vulgar but profits earned in an ethical way as a positive endeavor. For example, take the following sentence in the *Analects of Confucius*: “People naturally want wealth and dignity. If a person gets these wants in



Picture: The bronze statue of Shibusawa Eiichi (1840-1931), standing in Tokiwabashi Park located in Nihonbashi, Tokyo

an unethical way, he or she had better dispose of them.” According to Shibusawa’s interpretation, this sentence does not deny profit-making, but it means that profits should be earned in an ethical way.

No one says that it is acceptable to lack ethics or morals and to be indifferent to humanity and justice if wealth is ensured. In the real world, however, there are numerous cases where honest thoughts and feelings differ from what people say on the surface. Shibusawa Eiichi warned against this discrepancy and admonished himself to be ethical.

We can find the phrase “*Gi Ri Ryozen*” in Shibusawa’s books. This phrase summarizes his thoughts about the alignment of ethics and economy, and it means that the ultimate goal of economic activities is to achieve both justice and profits.

#### Devastation caused by “*Ri Ri Yusen*” utilitarianism

Looking at the current state of affairs in 2011, I am afraid that our society is somewhat far from what Shibusawa Eiichi called “*Gi Ri Ryozen*.”

This became highly visible in the 1990s when the “reform” was introduced with its slogan saying that deregulation would provoke competition and thereby accelerate innovation. Behind this logic lies the deep-seated assumption that the essence of reform should be utilitarianism or “*Ri Ri Yusen*” which is literally translated as “profit and profit as a priority,” instead of “*Gi Ri Ryozen*.”

What did this myopic “reform” bring about?

In terms of GDP per capita, Japan had ranked between second and fifth in the 1990s and third in 2000. In contrast, the Japanese ranking rapidly dropped to 19th in 2007 and 23rd in 2008. The period between 2000 and 2007 corresponds to the era of the Koizumi administration. During this period, economic disparity widened; deflation was entrenched; and medical and nursing-care crises became highly visible at home. In other countries, market shares of Japanese products such as electrical appliances, solar cells, steel and semiconductors plunged concurrently.

With regard to universities and research institutions, their institutional reform was implemented in the form of transformation into independent administrative institutions (IAIs). Although they needed to be reformed, the real purpose of the transformation into IAIs was to reduce public expenditure on higher education. In this sense, the transformation was essentially fiscal reform under the name of “reform.” And now, if we borrow

Shibusawa Eiichi’s wording, the consequence can be described as follows: The reform has been effective in terms of “*Ri*” as measured by short-term cost reductions, but it has been far from being successful in terms of “*Gi*” as measured by forward-looking human resources development in ten to twenty years’ time.

Japan’s public expenditure on higher education accounts for only 0.5% of its GDP. This figure is lower than the OECD’s average of 1%, and ranks at the bottom among the member countries, according to a 2006 survey. The state subsidy for the operation of national universities has decreased by more than 80 billion yen in the six years since the transformation into IAIs, compared to more than 1.24 trillion yen in fiscal 2004. The burden of cost-cutting is most obviously seen in personnel expenditure, as researchers without any tenured position or those on a short-term contract have increased in number.

Nobel prize winners say “Failure will become fortune,” “Go abroad without hesitation.” And yet, under the current circumstances, failure cannot be allowed in order to show successful results in a short period of fixed term, and young researchers can’t help but hesitate to gain international experiences as they have to consider their position after returning to Japan. Unless such a freezing research environment is improved, it will be difficult to follow Nobel laureates’ advice. The current environment can be likened to decaying roots which used to underpin and cultivate the giant tree of Japanese science and technology.

#### Science and technology as public goods

“*Ri Ri Yusen*” was disguised as the good-sounding word of “reform” and this hidden utilitarianism substantially distorted the shape of industry, the role of science and technology as the industrial foundation, and systems to support science and technology, to name a few. Japan needs reforms, but their results largely depend on their basic principles. In my opinion, now is the time for the contemporary version of “*Gi Ri Ryozen*” to be developed and implemented on the basis of Shibusawa Eiichi’s thoughts as the most important agenda. That is where future innovations will put forth buds.

Let’s review concepts which were removed by “*Ri Ri Yusen*.” Take the “greening of science and technology as well as industry” as an example. Is this identical issue to be promoted on the basis of “*Gi Ri Ryozen*” or on the basis of “*Ri Ri Yusen*”?

How about making sustainability the first priority in industrial policies and science and technology policies? How about reviewing these policies from the viewpoint of public goods? It will also be advisable to consider whether they meet standards for human-friendliness.

The challenge we are facing now is how to choose long-term basic policies in light of a future society where later generations will live.

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