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‘DEFICIENT IN COMMERCIAL MORALITY’?

Japan in Global Debates
on Business Ethics in the
Late Nineteenth and Early
Twentieth Centuries

Janet Hunter



Palgrave Studies in Economic History

Series Editor

Kent Deng
London School of Economics
London, United Kingdom

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Janet Hunter
Department of Economic History
London School of Economics
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Introduction

Abstract This chapter briefly introduces the topic of ‘commercial morality’ as a concept that emerged in nineteenth-century debates on the ethics of day-to-day business transactions. It notes how from the late nineteenth century, as Japan became increasingly integrated into international trade, Westerners considered Japan’s standards of business ethics to be particularly low. It outlines the contents of the book’s chapters, highlighting the key issues: the absence of a single, universally accepted global standard of business behaviour; the extent to which rapid economic change facilitated cheating; and the failure of formal institutions to keep pace with growing opportunities for malpractice. It also suggests that the Japanese case is potentially instructive when we consider the situation of contemporary developing economies seeking to establish themselves in the global economy in the face of powerful vested interests.

Keywords Japan • Business ethics • History • Developing economies

‘How is it’, asked Joseph Longford, former British consul in Japan, writing in 1905, ‘that a people who are daily offering to the world lessons.... in patriotism of the very highest order, in self-sacrificing devotion to all the interests of their country, in courage and in an administration of all the departments of their Government that is as unimpeachably honest as it is efficient, should nevertheless have a reputation for commercial

morality as low as it is in all other respects deservedly high?’¹ Longford was not the only observer of Japan, at the time, seeking an answer to this question. Accusations of a deficiency in commercial morality—what would now probably be termed as low standards of business ethics—were a constant refrain in Western observations on Japan in the late nineteenth and early twentieth centuries. Japan’s reputation in international commercial dealings was that of a nation whose citizens were prepared to cheat and deceive in the interests of personal gain, and whose standards of trading behaviour were inferior not just to industrial powers such as Britain and the USA, but to those that prevailed in many developing countries as well. The objective of this study is to identify where these accusations came from, what kind of evidence they were based on, and how the Japanese themselves responded to them.

A great deal has been written across the centuries about the morality or otherwise of moneymaking and profit and, more recently, about philanthropy and the use of profits, and the extent to which even illicitly obtained monies can be legitimately used to benefit others. In the British case, the philanthropic and paternalist entrepreneurs of the nineteenth and early twentieth centuries—for example, Quaker businesses such as Cadbury and Rowntree—have garnered considerable attention. However, while the worst excesses of business behaviour from Jay Gould through to Enron and Toshiba have hit the headlines, far less attention has been paid by scholars to the standards of honesty or dishonesty adhered to by local economic actors and small businesses as they conduct their transactions on a daily basis. And yet, the extent to which producers and traders at all levels abided by—or flouted—accepted standards of behaviour for economic transactions mattered profoundly for the growth of national and international trade. What also mattered was the extent to which these producers and traders, on both the individual and aggregate level, were perceived as adhering to accepted standards; such perceptions might not necessarily be aligned with the reality of what was going on, but could nevertheless dictate attitudes and even policy. The reasons why it mattered were complex, but included the potentially far-reaching damage to individual and national reputations, the difficulty of engaging in repeated transactions where one partner could not be trusted, and a general undermining of trust in a capitalist economy increasingly dependent on credit and fewer face-to-face contacts.

The accusations that were levelled against Japan were informed by the discourses on commercial morality that had evolved within the industrial-

ising economies of the West, and had become particularly conspicuous in Britain and the USA in the second half of the nineteenth century. From the British perspective, the accusations against Japan were, in part, the outcome of a perceived failure on the part of many Japanese to act in accordance with the standards that the British themselves had set down—standards that were associated with ‘progress’ and ‘civilisation’—notwithstanding an acknowledgement that Western businessmen were themselves not immune to breaching those same standards. The criticisms were informed by an inclination to cultural stereotyping, which treated individual behaviours as representative of whole peoples, and led to sweeping comparisons regarding the commercial morality of different nations.

It will also be suggested, however, that the complaints came in response to the circumstances of global trade during this period, a global trade that was dominated by the industrial economies of Western Europe and North America, and characterised by a highly unequal balance of power in international economic relations. At the same time, this was a period of the transnational spread of ideas and business practices in the context of cultural difference and increasing global economic competition. The Japanese, who were essentially newcomers to international trade from the late 1850s, had evolved their own business practices, but were now expected to play by the Western rules of the game; the scope for genuine misunderstandings of what was appropriate was matched only by the scope for manipulation on both sides of the transaction. The specific environment of the treaty ports—through which, until the late 1890s, Japan’s international trade was conducted under the terms of the so-called unequal treaties—further enhanced available opportunities for misunderstanding and manipulation. Moreover, as Japan progressed along the path to becoming the first non-Western industrialised economy and increased her involvement in international trade, some Western producers became increasingly fearful of the prospects of Japanese competition and drew on earlier criticisms as part of the articulation of their more immediate concerns. This interaction raises the very topical questions of how established players in the international economy respond to the challenges posed by new interests that seem to threaten their dominance, and how less powerful trading partners and newcomers to international trade can make their way in the face of powerful vested interests, including by the adoption of ‘short cuts’ in order to do so. Analysing Japan in the context of the global debates on business ethics in the late nineteenth and early twentieth centuries thus suggests some insights into the broader relationship

between ethical business practice, business success, illegal conduct, and moral behaviour.

But how important were these criticisms from the Japanese perspective? Certainly, they mattered. Britain—probably Japan’s most vocal critic—was one of Japan’s largest trading partners from the 1860s through to the 1920s, followed closely by the USA, another strong complainant.² The negative perceptions of Japanese goods and Japanese methods of business had the potential to damage Japanese trading possibilities just as the country was seeking to consolidate its position in overseas markets. Increasing Japanese exports was regarded as vital to Japan’s ability to import the necessary raw materials and energy for industrialisation, and the inflow of ideas and technology from more industrialised economies on which that industrialisation depended. Had the dominant European and American economies sought to implement any kind of boycott of Japanese goods or other sanctions in response to the perceived bad behaviour, they would themselves have had little to lose; it would have been Japan that suffered. Nor does it seem likely that these countries would have unduly suffered had their exports to Japan declined. It was Japan, therefore, that was the most likely loser in these controversies. It is in that context that we find a Japanese response that not only sought to explain instances of bad behaviour by Japanese nationals by reference to Japan’s historical circumstances and the manner of its integration into the international economy, but was also committed to trying to ensure that such instances of unethical business practice were minimised in the future. The response, in short, embodied a realisation that Japan had little choice but to play by the Western-dictated rules of the game.

In order to shed light on these debates, the focus here will be on the interaction between the discourses on commercial morality and the actual circumstances in which those discourses—in both the West and Japan—evolved. Exploring any broader debates on ethics and business lies beyond the scope of this study, although it must be recognised that attitudes towards the relationship between ethics and business—and towards the extent to which business activity was undertaken for the greater good, and not just for individual self-interest—certainly impacted on the debates under discussion here. As will be discussed further in Chap. 2, however, the term ‘commercial morality’ was largely used with reference to the ways in which individuals undertook business transactions, for example, the ways in which they drafted and adhered to contracts, the extent to which they ensured that goods were of an appropriate quality, or their

willingness to respect the intellectual property rights of others. It was in these respects that the Japanese were deemed to be deficient in appropriate business conduct.

In this context, it is worth making three general points. Firstly, the increase in international transactions during the nineteenth century raised the issue of the existence of multiple standards for judging business conduct—determined by local cultures and mores—and the absence of a single, universally accepted global standard. As global transactions grew, this problem became more acute. Secondly, the increasing complexity of business transactions and the associated growth of credit that supported nineteenth-century industrialisation facilitated cheating, and made it easier for many to get away with it. This ability to avoid some of the most serious consequences of bad behaviour was, in part, due to the third factor, namely the failure of formal institutions, including legislation, to keep up with changes in the economy and the increased opportunities for malpractice that they offered. This is clearly evidenced by nineteenth-century debates in Britain about the extent to which the law could be used to address problems of commercial immorality, but debates over the role of legislation in delivering ethical business conduct are found across countries. The borderline between illegality and immorality was, and remains, both unclear and permeable. By the time that something has been made illegal, things have moved on, and individuals have found new ways of manipulating a new set of opportunities.

This combination of the existence of multiple standards of acceptable commercial behaviour, the increasing complexity of economic transactions, and the limitations of formal institutions was fundamental to the interaction between discourse and economic circumstances that will be discussed in the three chapters that follow. Chapter 2 will discuss the emergence, in the early nineteenth century, of British debates on what was referred to by contemporaries as ‘commercial morality’, a term that continued in widespread use through to the interwar decades. While there was a long tradition of Christian-informed debate on morality and business, and there were published injunctions to good practice in business, the context of British industrialisation in the early nineteenth century provoked increasing concerns about fraudulent business practice facilitated by enhanced opportunities for cheating, as the number of long-distance impersonal transactions increased and the growing complexity of financial and economic mechanisms rendered transactions more and more opaque. In Britain, debates on the extent to which immorality in business activity

was distinct from actual illegality, and the relationship between short-term profit and longer-term benefits, were fuelled by a wave of company collapses and bankruptcies in the 1860s, a number of which were attributed to fraud and speculation. Cheating, it was suggested, might deliver a quick profit, but it could also jeopardise longer-term business success by limiting the opportunities for repeated transactions and causing reputational risk. The issues were discussed widely in local chambers of commerce, in parliament, and in the national and local press. The practices that were associated with low levels of commercial morality were not always spelled out, but included behaviour such as the failure to deliver goods on time and the issuing of false credit notes. Similar debates began to emerge in the more industrialised economies of Western Europe and in the USA, where the cases of the so-called robber barons raised widespread discussion of the more or less acceptable ways in which fortunes might be amassed. Almost everywhere, commentators sought to clarify links between the prosperity of an economy, the growth of credit, and the question of trust and broader ethical practice. While the main focus in the discussion here will be on Britain, in line with its leading role in international trade, reference will also be made to equivalent debates in other European countries and North America.

Chapter 3 will consider how the debates on commercial morality that focussed largely on activity within Western countries came to be applied to international transactions and, in particular, their application in the case of Japan. It was often unclear what standards of morality might be expected in the conduct of international business. Some businessmen in Britain, for example, appeared to take the view that cheating foreigners was acceptable in a way that cheating your own fellow countrymen was not, and more generally defining what was appropriate practice in an international, multicultural business world proved extremely difficult. Differences in cultural norms and practices thus became a key element in the Western criticisms of Japan that emerged in the second half of the nineteenth century. It was broadly assumed in countries such as Britain, of course, that all other countries should abide by the Western-dictated rules. They tended to feel that a failure to adhere to ideal Western standards of commercial morality (whatever they might be) was essentially an indicator of a lack of 'civilisation'. What emerged in the Western discourse was thus effectively a global hierarchy of commercial morality roughly parallel to a country's perceived progress towards 'civilisation'. In this hierarchy, developing economies were towards the bottom, while the most indus-

trialised countries were at the top. However, despite its obvious progress towards industrialisation, and its growing international recognition (Japan formally became a British ally in 1902), Japan remained firmly at the bottom of the commercial morality hierarchy, as evidenced by Longford's statement at the start of this chapter. A reputation for cheating and fraud persisted from the earliest days of treaty port trade through to the 1930s, and re-emerged in the decades after the Pacific War. A stereotyped image of the fraudulent Japanese merchant (and by implication the deceptive nature of all Japanese) was reiterated through official reports, newspaper and magazine articles, and travelogues. Chapter 3 will analyse the complaints that were made against Japan, and identify what foreigners actually meant when they deplored Japan's inadequate commercial morality, looking at the specific business practices that gave rise to the accusations of immorality. Discussion of the better known complaints of unfair competition and cheap labour made against Japan in the 1930s lies beyond the scope of this chapter, but it will be shown that the earlier criticisms laid the foundations on which the later complaints were easily built.

Chapter 4 will look at the view taken by the Japanese themselves of these criticisms, and the ways in which they explained and responded to them. What is striking about the response of Japan's business and political leaders to the criticisms that were levied at Japanese commercial interests is that, at least up until the First World War, the majority appears to have accepted the veracity of the Westerners' criticisms. While there were some disagreements about the causes and extent of unethical practices by Japanese—the general belief was that the phenomenon of dishonest traders was, in large part, the consequence of traditional Japanese attitudes to merchant activity, combined with the particular circumstances of the treaty ports, in which Western merchants were hardly models of probity—statements about the behaviour of Japanese merchants frequently mirrored those articulated in the West. It was acknowledged that the bad behaviour of a few could tarnish the nation's reputation and that, at least for the time being, Japan had to play by Western rules. Members of the elite shared the view that standards of commercial morality could be expected to rise as part of the progress towards 'civilisation', but were, at the same time, concerned at what appeared something of a paradox, namely that Japan's commercial behaviour was regarded as inferior to that in other countries, such as China, compared to which they believed Japan was in most respects highly advanced. It was, therefore, essential, they agreed, that concrete steps be taken to address this perceived anomaly.

Those concrete steps were explained and justified not so much on the basis of morality being a good thing and desirable in itself, but on the grounds that even though cheating might lead to individual profits in the short term, it was highly detrimental to the national interest and the future of the Japanese economy over the longer term. For many, therefore, the pursuit of higher standards of business ethics was instrumental to the bigger project of the growth of the national economy and the achievement of international status.

Analysis of the commercial morality issue, whose influence on Japanese–Western economic relations persisted into the postwar period, therefore offers insights into the complex interaction between cultural difference, the transnational spread of ideas and business practices, and global economic competition. As will be noted in the concluding Chapter 5, the story resonates with contemporary debates relating to institutional change, culture and value systems, and their operation in the context of an expanding global economy facilitated by complex financial and credit systems whose operation is often hard to monitor. Furthermore, it suggests that complaints about ethical business practice of the kind that were persistently levied at Japan may be the lot of any emerging global competitor that challenges the economic power of the status quo.

NOTES

1. Joseph H. Longford, ‘The Commercial Morality of the Japanese’, *Contemporary Review* 87 (1905), 705. For Longford see Ian Ruxton, ‘Joseph Henry Longford (1849–1925), Consul and Scholar’, in H. Cortazzi (ed.), *Britain and Japan: Biographical Portraits*, vol. 6 (Folkestone, Kent: Japan Society/Global Oriental, 2007), pp. 307–314.
2. Britain accounted for 20–50% of the value of Japan’s imports through to the First World War, while the USA took the major share of Japan’s exports by value through to the Great Depression. See Janet Hunter and S. Sugiyama, *Economic and Business Relations*, vol. IV of *History of Anglo-Japanese Relations, 1600–2000* (Basingstoke: Palgrave, 2002), pp. 17–18; Miwa Ryōichi and Hara Akira (eds.), *Kingendai Nihon Keizai Shi Yōran* (rev. ed., Tokyo: Tōkyō Daigaku Shuppankai, 2010), p. 25.

Credit, Speculation, Legislation, and Reputation: The Evolution of the Discourse on Commercial Morality in England and Beyond

Abstract Chapter 2 discusses the emergence in the early nineteenth century of British debates on commercial morality, when the growth of business provoked increasing concerns about fraudulent business practice facilitated by enhanced opportunities for cheating. Apart from moral considerations per se, many argued that cheating might deliver a quick profit, but jeopardised long-term success by endangering repeated transactions and causing reputational risk. Similar debates emerged in the more industrialised economies of Western Europe and North America. Participants in this transnational discourse sought to clarify links between economic prosperity, the growth of credit on which it relied, and the presence or absence of trust and wider ethical practice.

Keywords Britain • Business ethics • Commercial morality • Business fraud

EMERGENCE OF DEBATES ON BUSINESS MORALITY IN ENGLAND

Concern about honesty and dishonesty in the conduct of economic transactions is neither an exclusive characteristic of modern economies, nor has it in any way been particular to Europe and North America. For many centuries prior to the modern period, and across the globe, individuals and societies complained of cheating traders and fraudulent transactions—

complaints that in some regions of the world fed into religious or ethically driven debates about the relationship between profit making and morality to produce institutional regimes in which commerce was thought to be demeaning and those engaged in it of low social status. Christianity, Islam, and Confucianism all, in one way or the other, pondered over the relationship between economy and morality, and ended up locating many kinds of commercial activity at the margins of social probity and elite status. What changed in Western Europe and North America from the late eighteenth century, though, was the changing scope for deception, fraud, and genuine misunderstandings offered by the economic transformation initiated in Britain and followed during the nineteenth century by other Western economies. This period of dramatic economic and social change associated with the growth of *laissez faire* capitalism and increasing flows of information served as the backdrop for debates on moral conduct in the economy on a scale that surpassed anything hitherto.¹

As might be expected, in countries such as Britain, these debates on the relationship between economy and morality were strongly shaped by the Christian-informed moral framework that had prevailed through the medieval and early modern periods, but with a notable difference. Whereas most previous protagonists had sought to address the key issue of how Christian ideas of morality might be reconciled with the need to engage in economic transactions and the making of profits, the focus now increasingly shifted towards adherence to moral standards in the actual conduct of business, that is, the degree of honesty and probity with which economic actors carried out their business, including their adherence to formal and informal rules. The growing concerns related primarily to what might now be called ‘business ethics’ in the sense of the rules of conduct according to which business decisions are made—rules of conduct defined by the law; via regulatory bodies, trade associations and company codes; and also by the personal morals of individual economic actors. Violations in the code of conduct stemmed from weaknesses in both the structure and enforcement of rules, and their deliberate violation by individuals or groups.²

This does not mean that earlier commentators had paid no attention to codes of conduct in business or that they failed to recognise the incentives to cheat. Adam Smith clearly understood that the pursuit of rational self-interest could damage others in society, but emphasised that the approbation of others was a fundamental means of securing one’s own self-interest. He acknowledged, moreover, that the market did not have all the answers;

harmony between self-interest and an ethical society depended both on full information and on good education, neither of which would be supplied by the market.³ While man, he argued, could subsist only in society, a society ‘cannot subsist among those who are at all times ready to hurt and injure one another’.⁴

A number of pre-nineteenth-century publications sought to instruct nascent businessmen in the forms of business behaviour appropriate to Christian morality. In the 1790s, Thomas Gisborne, a close colleague of William Wilberforce and member of the Clapham sect campaigning for anti-slavery and social reform, published a substantial volume on social duty and responsibility containing a long chapter entitled ‘On the Duties of Persons Engaged in Trade and Business’.⁵ Underlying this chapter was the statement that honesty and probity were the fundamental moral virtues necessary for anyone engaged in business, because it was only through honesty that a trade could achieve the public credit standing essential to business success. ‘The foundations of a trader’s credit’, Gisborne opined, ‘are property, integrity, punctuality, industry, prudence, openness of dealing, freedom from extravagance, from a spirit of wild speculation and from vice, and the character of the partners and of others with whom he is closely connected’.⁶ While the majority of those in trade were undoubtedly honest, Gisborne argued that there were some individuals ‘so destitute of moral principle as to pursue gain by every possible method; plundering individuals, and defrauding the revenue, regardless of the laws of God, and of those of their country’.⁷ Significantly, the practices into which Gisborne believed even the most honest of businessmen might be drawn included many that would later be identified by Victorian commentators as connoting lax standards of commercial morality. These included taking advantage of those who were in need, or ill-informed; haggling over terms and prices rather than immediately naming the lowest acceptable price; engaging in ‘improper’ transactions, however lucrative; lacking openness regarding real wealth and assets; and engaging in deception in the conclusion and fulfilment of contracts. In short, business should be conducted ‘according to the rules of fairness and plain dealing’.⁸

Gisborne’s text raised a number of issues that were to permeate subsequent debates. Firstly, there was the issue of what he referred to as ‘custom of trade’, the tendency of individuals to go along with practices that appeared to be condoned by the behaviour of others, without ever questioning whether they might be right or wrong. A second issue was the role of the law and the state in imposing and enforcing appropriate

standards of conduct. Gisborne argued that traders should always obey even bad laws, but that at the same time an upright trader should not seek special privileges from the government. A third point of discussion was the extent to which honesty might include sacrifices of possible gain. An honest businessman should not, he contended, be on constant watch for ‘opportunities of exaction’, nor seek to take advantage of the needy or the unwary, but should instead ‘be solicitous to name at the first his lowest price’.⁹ Although Gisborne recognised that this kind of behaviour might ultimately deliver economic benefit by enhancing confidence and credit standing, it was the non-economic benefits of good behaviour that were the most important:

They who have been known uniformly to have conducted their business according to the rules of fairness and plain dealing; to have made no vain parade of their credit; to have resorted to no device calculated to excite an erroneous opinion of their wealth, of the reliance placed upon them, or of their prudence, industry, talents and dispositions; to have abstained from improper transactions, however profitable; to have dared to tell truths even when unfavourable to their credit, and never to have deviated from rectitude in those trying conjunctures which bring men’s principles to the test; have found themselves rewarded in critical times by the confidence of the public, by the warm attachment and strenuous exertions of their friends, and even by generous and ample offers of assistance from quarters from which it was least expected.¹⁰

The first half of the nineteenth century witnessed a shift away from Gisborne’s suggestion that virtue was its own reward towards a set of arguments that contended that honest business conduct was also the key to profit. Morally undesirable behaviour tended to have undesirable economic outcomes as well as moral ones. The rapid growth and transformation of Britain’s trade, industry and finance in the decades after 1800 produced a growing public debate on what was increasingly frequently referred to by contemporaries as ‘commercial morality’ and the extent to which it could be upheld by formal institutions. As Robb has noted, legal requirements concerning accounting and audit were ‘inchoate and ambiguous’, guidelines for advertisements and prospectuses were vague, and the public had scant information to guide them in astute investment decisions.¹¹ The appearance of new, larger, and more complex businesses increased the scope for fraud, and it became increasingly difficult to distinguish between fraudulent and genuine investment opportunities.

The stock market panic in the 1840s stirred up debates concerning acceptable and unacceptable business practices as well as the need for higher standards of honesty and responsibility. In the words of Sarah Wilson, ‘The regulation of the developing economy was in its infancy and without reference points in law or wider governance codes drawn from “business morality”. Many parameters of “acceptable” conduct in business did not become apparent until at least the end of the nineteenth century.’¹² In the process, customary rights that had long characterised business activity were increasingly called into question, while traditional workplace perquisites often came to be seen as dishonest, and subject to criminal proceedings.¹³

In the 1860s, just as Japan was starting its reintegration into the international economy, the British debate was fuelled by a series of conspicuous scandals and instances of white-collar crime. Concerns over inappropriate behaviour by groups and individuals spread beyond religious and educational activists to business and economic organisations, to public officials and politicians. Identified economic outcomes were used to support the argument that, while unethical business practices might on occasion be individually profitable, such practices were invariably, over the longer term, damaging not only to the individual concerned, but also to business and the community more broadly. This equation of high moral standards with good business seems to have been true even of some general treatises whose prime purposes were religious, such as the anonymously written *Mercantile Morals* that appeared in 1861.¹⁴ While the core theme remained the overriding importance of the immortal soul, and the reader was told that ‘a false balance is an abomination to the Lord’ and that any lapse from virtue would inevitably be followed by divine retribution,¹⁵ the very title of the book suggested the extent to which capitalist business and industry had now become a core concern of writers seeking to reinforce Christian morality. Business was one of the greatest repositories of temptation, argued the author, and any young man required by his employer to deceive customers should immediately abandon his employment.¹⁶ At the same time, however, a multitude of extreme examples of dishonesty were described in support of the argument that a recent spate of business scandals caused by deception and fraud were not only evidence of immorality, but also potentially damaging to British commerce. The scandals described might, suggested the author, ultimately be a factor for good in that ‘the stability of British commerce has been increased by the very disclosures which seemed to declare its inherent rottenness’, but all young men entering trade and industry had to be constantly on their guard

against the temptations that beset them.¹⁷ This treatise makes clear some of the kinds of practices that had come to be identified with inadequate standards of ‘commercial morality’; these included excess borrowing, the selling of defective goods, the concealing of defects in merchandise, and inaccurate advertising.

Herbert Spencer, in his 1859 essay on ‘The Morals of Trade’,¹⁸ commenced his discussion by noting how adulterations of goods were by now ‘a familiar topic’, and ‘the same lack of conscientiousness which shows itself in the mixing of starch with cocoa, in the dilution of butter with lard, in the colouring of confectionary with chromate of lead and arsenite of copper, must of course come out in more concealed forms’.¹⁹ Among other evils he referred to the ‘habitual malpractices of wholesale-houses’, and the widely held conviction ‘that trade is essentially corrupt’. The law for the trading community was essentially ‘cheat and be cheated’, and overall the situation was very grave.²⁰ While Spencer himself recognised the widespread honesty of many members of the commercial classes, his essay demonstrates clearly the extent of public concern over what was viewed as widespread fraud and malpractice.

By the end of the 1860s, the interactions between business reputation and credit standing, presence or absence of commercial morality, and the overall operation of Britain’s industrial economy had seized the attention of the British press. The widespread complaints of lack of integrity at this particular point in time were largely fuelled by a wave of company collapses and bankruptcies over preceding months, many of which were attributed to fraudulent practices or speculation.²¹ Intensive discussion followed within parts of the business community about how to deal with the perceived problems. These well-publicised debates set the tone for the discourse on commercial morality that was to persist in England through the late nineteenth and early twentieth centuries. It is not always easy to know exactly what forms of behaviour were regarded as constituting a departure from mercantile or commercial morality. Publications such as *The Economist* wrote about ‘commercial morality’ as a set of accepted norms and practices; people acted in ways that were inconsistent with commercial morality and committed offences against commercial morality as they might commit crimes. Many of the actual practices that were condemned, however, can be inferred from the instances of behaviour that were repeatedly criticised. In line with earlier injunctions against excessive borrowing and traditional maxims about not getting into debt, rash speculation was invariably regarded in itself as an evil. Honouring of contracts was paramount. More specific failures included the

adulteration of goods,²² failures to deliver goods on time,²³ the issuing of false bills of exchange ‘calculated to give an erroneous impression as to the circumstances or transactions out of which they originated’, unregistered mortgages from shipowners that gave ‘a false kind of credit to the shipowner to which he was not entitled’,²⁴ false labelling of products,²⁵ and the issue of false bills of lading.²⁶

The debates within Britain raised a number of issues that were also taken up in other countries and which, as we will see, became core elements in the criticisms that were subsequently levied at Japan. These issues fell under four main headings: the importance of increasing complexity in credit and financial mechanisms, and the associated dependence on credit and growth of speculation; the significance of business conditions in increasing incentives to cheat; the extent to which legislation, social constraints, and collective action could help improve commercial behaviour; and the reputational damage that resulted from it, particularly when it came to trading with foreigners and Britain’s extensive global trade.

In terms of credit and speculation, it was generally agreed that the growth of complexity in credit and financial dealings that had occurred over preceding decades had made it easier to undertake intentional fraud. It had also made it more difficult to detect. The pace of change had been such that it was hard for the authorities to act quickly enough to close the loopholes.²⁷ At the same time, although there was no ambiguity about the fact that much of Britain’s industrial and trading expansion had been built on the growth of credit, that same credit availability allowed lapses in individual conduct to have far-reaching consequences for others, particularly through permitting widespread and uncontrolled speculation. For some commentators, it was access to credit that was the greatest test of the honesty of a commercial community, as cheating in a face to face transaction using hard cash was far more difficult: ‘It is a far more delicate and difficult trial of honesty when large sums of money are left or placed in the hands of others to invest as they, at their discretion, think best... No nation can be said to have had its commercial morality tested at all that has not attained a very high development of its credit system.’²⁸ By that yardstick, *The Economist* thought that England had actually performed rather well, but other participants in the debates disagreed, calling for greater curbs on the extension of credit and on related institutions such as limited liability.²⁹ Speculation, much of it facilitated by the extension of credit, was an associated concern. The shame of speculating with other people’s money was equated to gaming with borrowed funds, but what was particularly

concerning was that it took place in complex enterprises that were difficult to control, and without the same penal sanctions. One article in the 1880s referred to speculative dealings on the London Stock Exchange as purely betting operations.³⁰

Secondly, there were a number of views on the ways in which business conditions could be a major influence on inducements to fraud. In times of commercial prosperity, or where the prospect of profits was particularly high, the temptation to engage in ‘overtrading and extravagance’ was undoubtedly increased. The aftermath of the American Civil War was offered as an example.³¹ An editorial in *The Times* pursued this line of thinking, arguing that boom times were associated not only with greater speculation, but with excessive speculation. In this context, the greater difficulty in getting hold of credit in a downturn was likely to act as the best constraint on speculation and the associated decline in morality, but the danger was likely to recur as prosperity returned.³² At the same time, acute competition in difficult markets characterised by a shortage of demand could be an encouragement to cheat; some members of the Lancashire cotton industry in the 1870s were reported as saying that being honest threatened their very survival.³³ Writing on business ethics much later, in the 1920s, one American authority argued that the incentive to renege on a contract was influenced by whether it was a buyers’ or sellers’ market, and that when an industry was prosperous it was less likely to worry about business ethics.³⁴ Both prosperity and slump, therefore, appeared to offer incentives to groups and individuals to engage in what was deemed to be inappropriate behaviour. Commercial morality was increasingly considered as contextual, rather than something that adhered to absolute and unchanging standards.

A third element in the discourse was the relationship between commercial morality and legislation, the role of the law in both encouraging and making illegal inappropriate behaviour, and the extent to which formal and informal rules were the key to improving commercial conduct. Sir Edward Fry, an eminent retired Court of Appeal judge who campaigned for higher standards of honesty in business in the two decades before the First World War, emphasised in his speeches that just because something was legal did not mean that it was morally acceptable.³⁵ This distinction resonated with earlier debates on the limitations of legislation to address the perceived commercial morality problem. When the issue erupted into prominence in the late 1860s, members of the Liverpool Chamber of Commerce expressed concerns that bad laws were an encouragement to bad behav-

our, an issue also discussed by their counterparts in Birmingham.³⁶ Two particular elements of legislation were the main target of their concerns at this time. One was the laws relating to bankruptcy, the other was post-nuptial settlements. In the case of bankruptcy, contemporaries were concerned that while claimants understandably had the first charge on any remaining assets, even where fraudulent behaviour might have contributed to the bankruptcy there was no possibility of criminal proceedings against the individual. Under the prevailing law, the crime of the fraudulent bankrupt was not investigated as a crime, and the bankrupt was soon free to re-engage in speculative or fraudulent transactions all over again. Proposing to the Liverpool Chamber the setting up of a special committee to investigate the issue of commercial immorality, one member argued that this anomalous situation in relation to bankruptcy could not be addressed until it was acknowledged that ‘it was *prima facie*, a crime to be unable to pay one’s debts’. Another member opined that ‘the man who speculated beyond his means, so that he could not pay his losses if necessary, was quite as guilty of fraud as if he stole the purse from another man’s pocket’.³⁷ On the other hand, post-nuptial settlements that allowed the individual to transfer a main part of his assets to his wife’s name were identified as a means whereby those engaged in very risky ventures and speculation could avoid the consequences of failure. ‘Thus, he secretly removes the property he has—and on the strength of which, no doubt, men are willing to trust him—from all liability for failure, while he gets all the advantages of success. No fraud can be more disgraceful.’³⁸

By the time the Liverpool Chamber of Commerce’s special committee reported in early April 1868, it was reported that the Lord Chancellor had already brought in a bill embracing many of the committee’s recommendations,³⁹ but *The Economist* was still complaining at the end of the year that ‘the gross defects of the Bankruptcy Law and the non-existence of a Public Prosecutor, have done more during the last four years ‘to degrade the tone of commercial morality in this country than anything else that has occurred since we became a trading people’.⁴⁰ As the years passed, many areas for potential improvement continued to be identified. Private deeds of arrangement in cases of potential bankruptcy should be abolished, and tighter control should be exercised over the issuing of bills of exchange and on the registration of mortgages taken out by shipowners on their vessels. Better machinery was needed to punish misappropriation of funds and breaches of trust. Even the principle of limited liability was called into question, as the current legislation could be seen as offering overt protec-

tion to fraud.⁴¹ Proposals were presented in parliament to render company directors more accountable by making them responsible for misleading statements in their prospectuses, and to check adulteration and the fraudulent use of brands and trademarks, but campaigners such as Sir Edward Fry continued to express concern over the weakness of the law in relation to issues such as misleading or false advertising, and over-insurance.⁴²

What is apparent, therefore, is that although legislation and regulation sought to curb the most serious moral breaches, this route was fundamentally flawed in the face of rapid change and the ongoing incentives it offered to cheat, at least to the minority. Moreover, the longstanding principle of *caveat emptor* (buyer beware), enshrined in legislation in both Britain and the USA, meant that consumer protection legislation was slow to emerge, while intellectual property rights protection was patchy, as will be shown in the case of the difficulties Westerners encountered in relation to Japanese brand and trademark fraud. Improved laws could change the incentive structures and discourage fraudulent behaviour, but it was recognised that revisions to legislation would not necessarily in themselves be sufficient to ensure that all individuals and groups engaged in business acted within the bounds of what was deemed appropriate behaviour. Individuals made choices regarding whether to behave well or badly, and it would be inappropriate to expect legislation to deal with all the problems. Some commentators believed that social constraints, such as the importance of reputation or social exclusion by other members of the business community, were likely to be more of a deterrent than the prospect of legal punishment. Indeed, legislation would not have the desired effect unless it could also rely on related social constraints.⁴³ Given this limitation, there emerged a degree of consensus on the fact that the business community itself should take a leading role in ensuring proper modes of behaviour, while in the final reckoning it was also the moral responsibility of the individual to ensure that he did not engage in behaviour that brought the broader community into disrepute. The reputation of the many was too easily tarnished by the failings of the few. While commentators suggested that the extent of speculation and ‘departures from rectitude’ should not be exaggerated,⁴⁴ there was no doubt that the credit standing of business as a whole suffered from the lapses of just a few individuals. There was in addition a real danger that fraudulent practices had become accepted as standard commercial behaviour, disadvantaging others who engaged in legitimate competition and fair dealing. *The Times* was moved in 1873 to castigate the widespread practice of

adulterating cotton products with sizing to increase weight and volume, which was a serious threat to the competitiveness of British products, and ‘leads to the general discredit of British merchant activity’.⁴⁵ Fraudulent conduct of this kind was assumed to be widespread across many industries.⁴⁶ There was, moreover, a consensus that the mercantile community had a social responsibility towards the working class, who were not only damaged by the imprudence of their betters, but encouraged to think they could behave with equal imprudence.⁴⁷

This discourse on commercial morality persisted through the late nineteenth and early twentieth centuries, albeit with some changes in tone and not always with the same intensity. Sir Edward Fry, who was mentioned earlier, continued in the years after 1900 to argue that as long as fraud remained profitable, people would continue to engage in it, and listed a whole catalogue of dishonest acts that might, or might not, be actually illegal, but which certainly threatened the reputation of the British as fair dealers, and the moral and credit standing of its entire mercantile community. Practices condemned by Fry included some which were actually life-threatening, such as inferior cloth that did not keep the wearer sufficiently warm, and the over-insuring of unsafe ships. Others included the same malpractices of adulteration of goods, fraudulent trademarks, inappropriate and secret commission (which in effect amounted to bribery, and was a ‘gangrene of our commercial life’), misleading or false advertising, and over-insurance.⁴⁸ Well into the interwar period, there continued to be concern in Britain that a minority of traders and producers was failing to act not only according to the law, but in some cases in accordance with the spirit of the law and accepted moral values. One report in 1925 of a shipbroker being sentenced for fraud referred to his acts as ‘mendacious, dishonourable dealing’ which had no place in the City of London.⁴⁹ While the terms ‘commercial morality’ and ‘mercantile morality’ were far less conspicuous than previously, and the phrase ‘business ethics’ gained increasing currency, the sentiments were in many respects unchanged.⁵⁰

BEYOND BRITAIN

Concerns about business behaviour were not limited to Britain. We find that as industrial capitalism spread in North America and other European economies, many of the same concerns were articulated, although differences of time and place inevitably generated a number of variations. As one of the world’s leading industrial powers by the start of the twenti-

eth century and a key trading partner for Japan from the 1850s, the case of the USA is also highly relevant. Concerns about business ethics can be found in the USA from the late nineteenth century, or even earlier.⁵¹ The New York correspondent of the *Morning Post* in 1854, for example, reported that recently exposed stock frauds had not only shaken confidence and credit, but ‘have produced deep and anxious enquiry as to the latent but rapidly growing causes of such deplorable evils’.⁵² Mercantile handbooks published in the USA in the 1850s emphasised the moral way of going about discrete areas of business, such as buying or selling, while success manuals stressed the equation between individual morality and material progress, and the importance of virtues such as honesty, industry, and frugality. One manual, for example, wrote of the need to avoid wrong business methods such as misrepresentation by the seller, speculation with borrowed capital and taking advantage of bankruptcy laws to evade debt payment.⁵³ As in England, concerns were spread by the rise of financial capital and stock markets, the growth of speculative enterprises and the power that this appeared to give some individuals. The financial machinations undertaken by a number of individuals came in for heavy censure, with the *New York Herald* denouncing Wall Street immorality that damaged the economic prospects of millions but sat side by side with the highest religious tone in the private lives of the individuals involved in it. ‘[They] deem it legitimate to plunder each other and the merchants to victimise the people, and to paralyse trade for the purposes of gain. Men who claim to be pious and pillars of our churches will deliberately plot to deceive the ignorant and to overreach the unwary in order to make money.’⁵⁴ As in Britain, commentators wrestled with a seeming inconsistency within the behaviour of individuals. Reporting how directors of the Pacific Mail had undertaken transactions generally considered dishonest, the *New York Times* also noted: ‘It is true that we are often told that there is one standard of honor for private life and another for commercial affairs. A man may do many things without blame as a “Director” which would be disgraceful to him in his private capacity!’⁵⁵ Some of the great entrepreneurs of the Gilded Age, men such as Jay Gould, left a reputation for inappropriate dealings and risky speculation, and there is no reason to doubt that ‘in the unrestricted capitalist economy of nineteenth century America and Britain unscrupulous behaviour—sharp practices, unfair deals in the market place, and the widespread support of rule breaking in the middle and higher strata of society—was discussed ... as fervently as it is today’.⁵⁶

The Progressive Era, from around 1890 until the end of the First World War, was characterised by a stronger social response in the USA to recurrent reports about the prevalence of scandals and unethical business practices, a response that began increasingly to signal dissatisfaction with an unadulterated laissez faire approach to business.⁵⁷ The earliest projects for business education invariably embraced a social dimension, and Abend notes a comment by the *Wall Street Journal* in 1903 that a key function of the nascent business schools should be the ‘training of the consciences of their students in habits of spontaneous morality’.⁵⁸ A number of US higher education institutions, including prestigious schools such as Yale and Chicago, provided lectures on moral aspects of business. Harvard Business School became a leader in the teaching of business ethics after the First World War. At the University of California a businessman originally from London funded a series of lectures from as early as 1904 with titles such as ‘Morals in Trade and Commerce’ in the belief that although education had helped standards to rise ‘there are still many misguided men in business who imagine that there can be no success without false weights, lies and deceit’.⁵⁹ Through the interwar years, US scholars and business schools offered description and analysis of business ethics. Edgar Heermance, a Yale graduate and Christian minister, suggested in the mid-1920s that the situation had improved compared with a generation previously, when ‘unscrupulous trade practices were largely taken for granted’, but that ‘a fringe of unscrupulous men are able to hide behind the vagueness of the standard. They are constantly engaging in questionable practices, for the sake of immediate gain, and bringing the industry into disrepute’.⁶⁰ While Heermance referred to ‘commercial honesty’ and lamented the existence of ‘low business ethics’ rather than low commercial morality, he identified some of the same practices condemned in Britain, such as misbranding, piracy, and substitution of an inferior good for a superior one. His Christian perspective on credit and trust is reminiscent of the words of Thomas Gisborne well over a century earlier:

Modern business is built on credit. It is carried on by borrowing, by the exchange of promises to pay in the future. The term itself implies mutual trust. The extent to which credit is used is a witness to the standard of honesty that has grown up in the business world. Merchants have discovered that it pays to have a reputation for integrity and fidelity, for on this depends their credit rating, the terms they can secure, the cost of doing business, and in many cases the difference between success and failure.⁶¹

That the international exchange of ideas and comments on ethics and business was an important factor in the emergence of a global discourse on commercial morality is underlined by the not infrequent comments on ethical issues in American business that can be found in British-based publications. Not only did they include reports from their own correspondents in cities such as New York, but also cited reports in newspapers such as the *New York Times*. Judgement was passed, for example, on the behaviour of Jay Gould, whose ‘transactions have frequently only just been within the bounds of the law, although very considerably beyond the limits of ordinary commercial morality’.⁶² Concerns articulated in Britain also spread to its settler colonies, which unsurprisingly looked to Britain as a model, arguing for the need to conduct trade in an honourable fashion, since the business conduct of traders and merchants set the tone for national characterisation; in the case of South Australia, for example, it was asserted that commerce was basically sound, but there had been ‘some disgraceful instances of reckless over-trading’, lack of legal sanctions allowed speculators to avoid paying their liabilities and to start all over again, and people should be encouraged to be more frugal.⁶³ By the first half of the nineteenth century, economic and other ideas were being conveyed rapidly through industrialising Europe, to non-English-speaking countries such as France and Prussia, and across the Atlantic and beyond.⁶⁴ A well-known German professor of economics, Richard Ehrenberg, writing in the late 1890s, noted the mutually self-reinforcing relationship between the growth of market competition and awareness of self-interest as the driver of economic activity, but this did not, he emphasised, give merchants a free hand to do whatever they wanted. There was no distinct ‘commercial morality’ (*Handelsmoral*); rather the calling of the merchant required a particularly high degree of character to allow him to reconcile appropriately the dilemmas that had to be faced.⁶⁵

Concerns over commercial morality were, therefore, being articulated in many parts of the globe by the latter part of the nineteenth century. These concerns had been fuelled both by the development of industrial capitalism at the national level and by the transnational exchange of ideas. They were also, however, increasingly related to the accelerating spread of global trade. It was no longer possible to subscribe to Adam Smith’s statement a century earlier that ‘national prejudices and hatreds seldom extend beyond neighbouring nations’, and to his claim that ‘neither they [the French] nor we bear any sort of envy to the prosperity of China or Japan’.⁶⁶ The rapid move towards global economic integration led com-

mentators on the commercial morality issue to develop their ideas in two directions. One was the extent to which bad or good behaviour on the part of a nation's producers and traders might impact upon that country's ability to trade successfully in the global marketplace. The other was the beliefs articulated by individuals in Britain and other industrial economies about their own levels of commercial morality in relation to those of other countries. It is these two issues that will be considered in the final section of this chapter.

THE COMMERCIAL MORALITY DISCOURSE IN INTERNATIONAL CONTEXT

As indicated by the comment mentioned earlier about the impact of adulteration on the overseas reputation of Lancashire cotton goods, for many concerned with issues of fair dealing in business it was the damage that dishonesty did to national and individual reputations that was one of the main reasons not to engage in such dishonesty. The perceived 'demoralisation' of commercial life and the use of illegitimate means to accumulate vast fortunes was early on identified as damaging to the national interest: 'if we are to continue to be a great commercial people it is absolutely necessary to mark the distinction between the honest and the dishonest trader much more emphatically than we have hitherto done'.⁶⁷ Honesty was, in effect, good business. Within countries, this argument was repeatedly used to assert the probity of the vast majority of businessmen—after all, had most been dishonest the capitalist economy would have collapsed—and to resist official intervention and regulation. On the other hand, though, as indicated earlier, it was evident that the existence of multiple speculative and inappropriate investment opportunities made it difficult for potential investors to make accurate assessments, undermining legitimate investments.⁶⁸ Activity that amounted to cheating jeopardised not only repeat transactions between the same parties, but also the transactions of others. Applied to international trade, the consequences for leading trading nations such as Britain were potentially serious.

It might be argued, of course, that intentionally duplicitous actors had little interest in repeat transactions; they were more concerned to make a one-off profit, and even within a large national economy such as that of Britain, let alone globally, there were always likely to be more customers who could be fleeced. Moreover, the chance of having to pay the price

for dishonesty in international transactions, particularly if that dishonesty was carried out outside the remit of British or American law, was significantly diminished. And yet, the approach to commercial morality in British discourse in the late nineteenth century was characterised by more than simple self-interest; it also embraced an element of moral judgement on how dealings with those from other countries might be conducted. Opinion was far from united on this matter, but a degree of double standards was sometimes in evidence. One firm of cotton manufacturers in Lancashire was taken to court in 1873 for manufacturing and selling bobbins that contained only 50 yards of thread despite their having labels indicating that they contained 100 yards. In its defence, the firm claimed that the bobbins were exclusively for the foreign trade.⁶⁹ A tea merchant was reported the same year in a letter to *The Times* as advising the government not to penalise merchants who imported into Britain tea adulterated with iron filings, but rather to compel them to reship it to foreign countries.⁷⁰ It was, in effect, acceptable to cheat the foreigner. The logic of *caveat emptor* was at its most extreme.

Such contempt for foreign customers and trading parties was, of course, rejected by many. Responding to the cotton bobbin incident, the President of the Manchester Chamber of Commerce criticised the attempt to defraud foreign purchasers, and queried whether ‘if a man seeks to cheat in another quarter of the globe or in another nation he is likely to be upright and honourable to his next-door neighbour’.⁷¹ The same letter writer mentioned above, who was also active in the cotton trade, explained how fraudulent practices of this kind made it difficult for honest merchants to compete with honesty in places like Asia. ‘The time when the English word was a tower of strength has long since passed away’, he wrote, expressing hope that the government would try and ensure that ‘foreigners cannot be cheated with impunity, and that we cannot allow our trade and commerce to suffer disrepute in order to protect an unprincipled class’.⁷² The reputation of the British trader therefore continued to be widely seen as the guarantor of ongoing success in the international trading environment. It is in that context that the British and other industrial nations came to compare their own standards of honesty with those of other countries. In the process, they laid down what they saw as a global hierarchy of commercial morality.

Despite the widespread concerns about the fraudulent activities of some British businessmen discussed above and their perceived negative impact both on individuals and on the national reputation, when it came

to the international context, most commentators through the late nineteenth to early twentieth centuries continued to identify British traders as adhering to higher standards of morality in trade than their counterparts in other countries. One journalist in Australia wrote of the ‘high tone of business morality which as a rule distinguishes the British trader’.⁷³ Britain’s assumption of the administration of the Transvaal from the ‘venal and rapacious Boer administration’ following the war of 1899–1902 was greeted as enabling higher standards of company law and commercial morality.⁷⁴ This highlighting of the relative strength of national virtues was not unusual. Richard Ehrenberg, who was mentioned earlier as noting the degree of character required by good merchants, also emphasised that the required character was possessed by a great many German traders to a larger extent than in other peoples.⁷⁵ Even the most advanced industrial economies were not immune from such relative evaluations. One British writer in the 1890s, for example, had no hesitation in suggesting that the USA was still somewhat ‘behind’ Britain in terms of commercial morality.⁷⁶ In general, though, the perceived levels of commercial morality were aligned to perceived levels of ‘progress’ and development. High levels of commercial morality were driven by, and tested by, the development of a capitalist industrial economy based on investment of capital and the use of credit, as well as by political and cultural advancement. The eminent economist Alfred Marshall was reported as saying that ‘*modern methods of trade* imply habits of trustfulness on the one side, and a power of resisting temptation on the other, which do not exist among a backward people’.⁷⁷

More sensitive observers did occasionally note the importance of differences in cultural and social practices in setting suitable yardsticks for what was deemed to be appropriate commercial behaviour. An 1897 consular report from Persia, for example, noted the existence of difficulties posed by religious law in relation to contracts.⁷⁸ However, there is little evidence that most Western commentators were willing to accept the legitimacy of having different moral standards for commercial behaviour in different jurisdictions and different parts of the world. Instead they invariably subscribed to the concept of commercial morality as a set of accepted norms, norms that had grown out of, and been shaped by, the Christian tradition of Western Europe and North America and beliefs about the operation of the market and the benefits of free trade dating back to the early decades of industrialisation. The reality of the Western-dominated global economy of the late nineteenth century was that it was this discourse that estab-

lished the parameters for the rules of the game in international economic transactions.

It was from this perspective that officials sometimes offered advice for trading with other countries and cultures. In the 1890s, for example, a consular report from Greece advised British firms to be cautious about extending credit to any but the best-known firms in the region; complaints had been received about the probity of Greek ship-brokers and shipping agents, and about failures to pay for goods that had been delivered, while legal redress in Greece was frequently unsatisfactory.⁷⁹ Another consular report highlighted the low standard of business behaviour in the Persian region. Bankers and traders there, it advised, tended to be honest in their relations with Europeans only when it served their purpose to be so. Local merchants would delay transactions, and often tried to avoid payment and repudiate contracts if they thought they were going to suffer a loss. Accounts were invariably inadequately kept.⁸⁰ Through reporting such information, and through their own investigations, parts of the media saw fit to warn readers about the potential dangers in doing business across the globe. *The Economist* appears to have been particularly assiduous. Commercial morality in parts of Russia, it suggested, lagged behind the levels in countries such as Germany and England.⁸¹ 'Bankrupt' South and Central American countries 'with their mixed populations', it stated, had 'a low standard of commercial morality and the arrangements they enter into are very likely to be broken when they conflict with motives of self-interest'.⁸² The journal remained sceptical of business probity in Latin America well into the twentieth century, claiming that the authorities themselves set an unfortunate example by repudiating contracts whenever it suited them to do so. Many problems that had occurred had 'originated in the action of the authorities in either arbitrarily cancelling concessions, or in refusing faithfully to carry out the conditions of contracts they had entered into after months of careful consideration and negotiation'.⁸³ As late as 1926, the journal was reporting a speech on foreign investment by the Chairman of the British, Foreign and Colonial Company, in which he called for investigation not just of economic conditions in host countries, but of broader social and political conditions:

The study must also extend to the scrutiny of the commercial morality of the different peoples in the far-removed corners of the world. It would be invidious to mention names, but you all know that there are many countries rich in natural resources which for that reason would justify investment of

capital; but the peoples themselves may be uneducated, their Government may be corrupt, and on balance should be considered unworthy of trust. Therefore, discrimination must be based on the moral, and not merely on the material, aspect.⁸⁴

Two countries in particular, however, appear to have acquired a position in the commercial morality hierarchy that was at odds with their international political and economic standings. One was China, which despite its domestic problems and foreign standings encroachments was said to exhibit high levels of honesty and morality when it came to commercial transactions. Dishonesty among Chinese merchants, reported *The Times* in 1888 (citing the Austrian consul), was very rare: ‘they are earnest, solid men, and enjoy the greatest confidence of their foreign colleagues’.⁸⁵ Decades later, the same point was being reiterated. While concerns were expressed about a deterioration in the integrity of Chinese business practices, and some Western traders in China had very low opinions of their Chinese counterparts, the Chinese were credited with a long tradition of commercial morality associated with the honour that had always been attached to trade.⁸⁶ A letter to the editor of *The Economist* just before the Great Depression stated that ‘The standard of commercial morality among the Chinese trading community is as high as any among Orientals—from my experience the highest’.⁸⁷

The other country, as noted by Joseph Longford, was Japan, whose level of commercial morality was regarded as vastly inferior both to that of the Chinese and to its state of development. How this perception of Japan evolved will be considered in more detail in the next chapter, but it is appropriate at this point to note that the apparent anomaly of Japan’s position raises a number of issues. Firstly, the dominance of the Western discourse did not mean that the issue of historical background and diverse cultural norms in international commercial practice had disappeared. In the Japanese case it became an important part of both Japanese and non-Japanese interpretations of the position and standing of Japan in the international economy. Secondly, as we will see, the Japanese recognised that they had little choice but to play by the Western-set rules of the game, and acknowledged that foreigners’ perceptions of Japan’s low level of business ethics had to be countered by practical measures. Finally, the very disparity between Japan’s growing international economic profile and its reputation for unfair dealing causes us to think carefully about the highly topical issue

of how established powers respond to the arrival of new competitors in the international market.

NOTES

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3. John Eatwell, 'Ethics and Self-Interest', in Jones and Pollitt (eds.), *The Role of Business Ethics in Economic Performance*, pp. 26, 28.
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5. Thomas Gisborne, *An Enquiry into the Duties of Men in the Higher and Middle Classes of Society in Great Britain, Resulting from Their Respective Stations, Professions, and Employments* (Dublin: J. Exshaw, 1795), pp. 368–492.
6. Gisborne, *Enquiry*, p. 217.
7. Gisborne, *Enquiry*, p. 200.
8. Gisborne, *Enquiry*, p. 218.
9. Gisborne, *Enquiry*, p. 211.
10. Gisborne, *Enquiry*, pp. 218–219
11. George Robb, 'Women and White Collar Crime: Debates on Gender, Fraud and the Corporate Economy in England and America, 1850–1930', *British Journal of Criminology* 46 (2006), p. 1059.
12. Sarah Wilson, 'Law, Morality and Regulation: Victorian Experiences of Financial Crime', *British Journal of Criminology* 46 (2006), pp. 1075–1090, quotation from p. 1084.
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15. *Mercantile Morals*, pp. 61, 128.
16. *Mercantile Morals*, p. 25.
17. *Mercantile Morals*, p. 128.
18. Herbert Spencer, 'The Morals of Trade', reproduced in Herbert Spencer, *Essays: Scientific, Political and Speculative*, vol. 2 (London: Williams & Norgate, 1868), pp. 107–148. Spencer's views are also noted in Gabriel

Abend, *The Moral Background: An Enquiry into the History of Business Ethics* (Princeton, NJ and Oxford: Princeton University Press, 2014), p. 19ff.

19. Spencer, 'Morals of Trade', p. 107.
20. Spencer, 'Morals of Trade', p. 127ff.
21. *Economist*, 14/01/1868.
22. *Times*, 6/11/1873.
23. *Times*, 8/11/1873.
24. *Manchester Guardian*, 7/04/1868.
25. *Times*, 6/11/1873, 8/11/1873.
26. *Economist*, 22/11/1884.
27. Karstedt et al., 'Introduction', p. 974.
28. *Economist*, 14/01/1868.
29. *Economist*, 14/01/1868.
30. *Economist*, 6/09/1884, p. 1081.
31. *Manchester Guardian*, 30/01/1868.
32. *Times*, 31/01/1868.
33. *Times*, 6/11/1873.
34. Edgar L. Heermance, *The Ethics of Business: A Study of Current Standards* (New York and London: Harper & Brothers, 1926), p. 120.
35. 'Edward Fry on Commercial Morality', *Times*, 5/12/1904. Fry was a Quaker, and a member of the Fry family prominent in the chocolate business. He lectured frequently during the 1890s and 1900s on the issue of commercial morality.
36. 'Commercial Credit and Morality', *Times*, 30/01/1868; 'Birmingham Chamber of Commerce', *Times*, 31/01/1868.
37. *Manchester Guardian*, 30/01/1868. See also *Times*, 30/1/1868.
38. *Economist*, 1/02/1868.
39. *Manchester Guardian*, 7/04/1868.
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41. *Economist*, 14/01/1868; *Manchester Guardian*, 30/01/1868; *Manchester Guardian*, 7/04/1868; *Economist*, 22/11/1884.
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43. *Economist*, 1/02/1868.
44. *Guardian*, 30/01/1868.
45. *Times* leader, 6/11/1873.
46. See e.g. 'Letter to the Editor', *Times*, 8/11/1873.
47. E.g. 'Commercial Credit and Morality', *Times*, 30/01/1868.
48. 'Sir Edward Fry on Commercial Morality', *Spectator*, 19/11/1896; *Times*, 6/09/1899, 5/12/1904, 25/01/1905.

49. *Times*, 8/05/1925.
50. For a general account of the evolution of business ethics, see Abend, *The Moral Background*.
51. Gabriel Abend is highly critical of the claim that it was not until the 1960s that we can see serious consideration of business ethics in the USA ('The Origins of Business Ethics in American Universities, 1902-1936', *Business Ethics Quarterly* 23, 2, April 2013, pp. 174–177).
52. 'Commercial Morality—A Hudson Era in New York', *The Leader and Saturday Analyst*, 29/07/1854, p. 704.
53. Judy Hilkey, *Character is Capital: Success Manuals and Manhood in Gilded Age America* (Chapel Hill, NC and London: University of North Carolina Press, 1997), pp. 4, 127, 133–134.
54. Report reprinted in *Manchester Guardian*, 2/10/1872.
55. *New York Times*, 3/01/1875, quoted in Abend, *The Moral Background*, p. 357.
56. Karstedt, Levy and Godfrey, 'Introduction', p. 971.
57. Gabriel Abend, 'The Origins of Business Ethics in American Universities, 1902–1936', p. 190; Bryan W. Husted, 'Corporate Social Responsibility Practice from 1800–1914: Past Initiatives and Current Debates', *Business Ethics Quarterly* 25, no. 1 (Jan. 2015), p. 130.
58. Abend, 'The Origins of Business Ethics in American Universities', p. 177. Abend's key argument is that the academic field of business ethics in the USA emerged in the context of the establishment of business schools in major universities, and that there is a strong resonance between the concerns and arguments of the late nineteenth and early twentieth centuries and those of a hundred years later.
59. This information is drawn from Abend, 'The Origins of Business Ethics in American Universities', pp. 178–189. The quotation from the University of California donor, Harris Weinstock, is on p. 180.
60. Heermance, *Ethics of Business*, pp. 17, 21.
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Deceit, Piracy, and Unfair Competition: Western Perceptions of the Level of Morality in Japan

Abstract Chapter 3 considers the discourse on commercial morality as it applied to international transactions, focussing in particular on Western views of Japanese trade and commerce. The criticisms that the Japanese could not be trusted had their origins in the early days of treaty port trade and the personal experiences of Western merchants and diplomatic representatives, but they gained increasing currency from the 1890s when Westerners for the first time became subject to Japanese law. After the turn of the century, criticisms that the Japanese did not adhere to contracts, supplied substandard goods, and engaged in blatant brand and trademark fraud became increasingly widespread. Although the criticisms declined somewhat in the 1920s, the assumptions about Japanese commercial behaviour remained, to re-emerge after the Second World War. Evidence of Japan's growing success in world trade supports the suggestion that the criticisms were, at least in part, the outcome of a fear of growing Japanese competition.

Keywords Japan • Western attitudes • Business history • Business ethics

At the time of treaty revision, in 1899, Japanese commercial morality was said to be far lower than 'that of Hindoos and Turks'.¹ Even commentators less convinced of the high standards of Chinese commercial agents agreed that in this area of life the Chinese were far superior to the Japanese.² Despite its obvious progress towards industrialisation, and the

growing international recognition that culminated in the conclusion of the Anglo-Japanese Alliance in 1902, Japan remained firmly at the bottom of the commercial morality hierarchy. A reputation for cheating and fraud that had started in the earliest days of the treaty port trade persisted right through until the 1930s, and subsequently re-emerged in the early decades after the Second World War. A stereotyped image of the fraudulent Japanese merchant (and, by implication, of all Japanese) was reiterated through official reports, newspaper and magazine articles, and travelogues.

The criticisms that were levied at Japan reflected many of the same concerns that had been highlighted in discourse on commercial practices within countries such as Britain. The list of so-called ‘immoral’ practices compiled by Westerners resonated strongly with the vociferous accusations levied earlier against businesses in Britain. A general tendency to deceit, dishonesty, and lack of integrity was said to manifest itself first and foremost in a failure to honour contractual obligations, as Japanese merchants would not hesitate to flout a contract that might entail for them a loss. The supply of sub-quality goods was a second area of criticism; this might result either from adulteration of the goods themselves or from a mismatch in quality between the sample goods that had formed the basis of the contract and the consignment that eventually arrived. Particularly after the turn of the century, Japan acquired a reputation for flagrant brand and trademark piracy that incensed not just those directly affected, but the journalists and others who commented on these cases. These criticisms were, without doubt, coloured by the difficulty of defining what was appropriate practice in an international, multicultural business world. At the same time, as already noted, Western countries such as Britain expected other countries to abide by the rules that they themselves had laid down, and tended to feel that any failure to adhere to ideal Western standards of commercial morality was essentially an indicator of a lack of ‘civilisation’. There was a widespread view, for example, that the haggling over prices that remained a feature of many less industrialised countries denoted a lack of civilisation and morality. By the second half of the nineteenth century, clear views had evolved on the relative levels of commercial honesty among different countries and ethnicities, and there is no doubt that differences in cultural norms and practices also became an important element in the Western criticisms of Japan that emerged in the second half of the nineteenth century and persisted through into the post-Second World War years.

It is, of course, extremely difficult to assess the extent to which Japanese traders actually engaged in the practices that were the subject of this condemnation, but once the reputation of Japan's deficiency in commercial morality was established, it was not easily overturned. Western commentators offered varying explanations for the existence of a low level of business ethics in Japan, some more understanding of the country's actual history and circumstances than others. The view of Japanese delinquency was never, however, restricted to injured business parties and Western-centric journalists. It was shared by many who had spent long periods in Japan and were knowledgeable about its past and its more recent changes. It must be asked, therefore, how such views evolved and how they came to be so widespread. This is the focus of the remainder of this chapter.

FROM DECEIT TO PIRACY

The earliest charges that were levied against Japanese commercial practices by foreigners appear to have related to deceit and deception. Townsend Harris, who arrived in Japan in 1856 as the first United States Consul, was reported by one later writer as having called the Japanese 'the greatest liars upon the face of the earth'.³ Certainly Harris' journal indicates that he did not have a high regard for the honesty and fairness of the Japanese. In September 1856, not long after his arrival, he wrote that Japanese officials had told him some 'egregious lies', which had led him to respond sharply that he knew they were lying and that in America 'a man who lied was disgraced and that to call a man a liar was the greatest insult that could be given him'.⁴ Harris also complained the following year that he had been 'constantly and systematically overcharged' for supplies by merchants connected with the Japanese government,⁵ while the junior British diplomat Algernon Mitford, later Lord Redesdale, who was in Japan around the time of the Meiji Restoration, referred to the Japanese as 'the very incarnation of Treachery', and observed that when money was at issue Japanese merchants showed 'an amount of greed for gain that far outdoes the much talked of cupidity of the Chinese'.⁶ The earliest British envoys, Sir Rutherford Alcock and Sir Harry Parkes, were both known for their low opinions of Western merchants active in the treaty ports,⁷ and it seems likely that this poor evaluation would have extended to their Japanese counterparts. With such influential individuals within what was still a very small non-Japanese community setting the tone from the 1860s, it is hardly to be wondered at that criticisms of deceit and lack

of honesty were recurrent in reports on Japanese commerce; complaints abounded regarding the Japanese inclination to acquire profit through what were regarded as inappropriate practices, fraudulent behaviour, and general deceit, deception, and treachery.

During the early decades, these complaints seem to have remained at the relatively local level, prevalent among those who did business in Japan's treaty ports and those who sought to guard their interests, but only occasionally communicating themselves to a wider audience through the media in the home countries. As Honjo has noted, the trading environment in the treaty ports was one of mistrust; there was an absence of agreed procedures and shared norms, and both Japanese and Western merchants complained that contractual problems stemmed from rapacity and lack of morals on the other side.⁸ While Japanese cheating on transactions might be offensive, and could cause financial losses, some redress could be achieved through the operation of the consular courts in ports such as Yokohama, and there is evidence that in many cases longer-term relationships between Japanese and Western merchants could be made to work. Until the repeal of the treaties, the trade system of the open ports also limited the scope for direct trade, which might have made foreigners more vulnerable to large scale cheating, although it generated other risks through reinforcing dependence on Japanese intermediaries. Hoare makes a strong case that blaming the unfair practices of Japanese merchants was part of a broader story of the failure of many foreign traders to make profits.⁹

Nevertheless, studies such as Kevin Murphy's account of the American merchant experience in the Japanese treaty ports make abundantly clear the ways in which small-scale instances of Japanese fraud were a daily occurrence for foreign merchants. Trademark violation and counterfeiting of imported products were part and parcel of the lives of traders in the ports. 'Routine violations included Bass and Guinness ale, brandy, wine, condensed milk, preserved beef and, at one restaurant, any drink a customer preferred, where it was only necessary to wait for the barman to affix the appropriate label.'¹⁰ The situation, notes Murphy perceptively, was, in substantial part, the outcome of the circumstances in the treaty ports in the wake of Japan's rapid transition from relative isolation to international trade integration. For businessmen on both sides, a substantial portion of the transactions undertaken in the treaty port were, by definition, highly speculative. Many American or other foreign merchants were less than scrupulous

themselves and, in addition, often held racist views of their Japanese counterparts. They expected the Japanese to conform to Western ideas of what was deemed appropriate business practice, and attempted to impose those ideas. They felt that it was often difficult to obtain redress from both consular courts and Japanese legislators, as it invariably appeared that Japanese officials and legislators were heavily inclined to side with their fellow countrymen. Moreover, attempts to impose contractual commitments were frequently undermined by competition between Japanese merchant houses. On the Japanese side, there seems little doubt that the treaty ports attracted many traders who failed to conform to Western expectations. As will be discussed below, the social status of the Japanese merchant class was conventionally low, and it was widely assumed among Japanese that Western merchants, too, were objects of social contempt. Whatever the case, it seems that the Japanese were not playing by the Western rules that claimed that ‘in business, good guys won... not only by employing honesty, frugality, and hard work, but by an ethic of decency, fair-mindedness, conservative investment, and patient contentment with modest returns’.¹¹ While we have already seen that this claim was far from being entirely grounded in reality, it nevertheless drove the unfavourable perceptions of the probity of the Japanese commercial actor.

By the 1880s, the complaints were increasingly being reported to their home governments by the consuls in the treaty ports, who were the ones who had to sort out the difficulties generated by fraudulent behaviour on the part of both Japanese and non-Japanese traders. The Austrian consul in Yokohama, for example, was reported in 1888 to have produced a report for his government detailing the difficulty of dealing with Japanese merchants. Such merchants, he had stated, still lacked tenacity, uprightness, and an active, enterprising spirit. The major problem was an absence of both confidence and credit, both of which were fundamental to the development of the modern industrial economy. Like many of his contemporaries, the consul compared the Japanese unfavourably with the Chinese. ‘Although credit establishments do not exist in China, dishonesty is very rare among the merchants. They are earnest, solid men, and enjoy the greatest confidence of their foreign colleagues’. The author was not optimistic about the future, attributing the problem to the traditionally low social position of the commercial classes and the widespread contempt for business associated with it, which was likely to mean that there was ‘no possibility of the development of moral qualities’.¹²

Other consular officials echoed this view. Commenting on the trade of the Osaka and Hyōgo¹³ area for 1890, the local British representative bemoaned the fact that there had been little improvement in the standards of commercial morality of many Japanese merchants, a state of affairs that undermined business transactions as a whole. It was widely acknowledged that Japanese traders would refuse to take delivery of goods that they had ordered if they thought that they would thereby incur a loss, which led to foreign companies going unpaid and subject to holding charges for those goods. However, acute competition between foreign merchants meant that the Japanese trader frequently got away with such behaviour. Jealousy between foreigners had encouraged a form of trade that was ‘in too many instances devoid of those principles of honesty which in the West are considered, acknowledged, and accepted as the true and genuine indications of civilisation’. It was to be hoped that over the longer term Westerners could work together to promote the view that honesty was the best policy, but in the meantime ‘business transacted on such a basis cannot possibly be sound’.¹⁴ The view that the Japanese were not to be trusted was also increasingly found in travelogues. The journalist Henry Norman, who travelled extensively in Japan, noted in his 1892 account the same anomaly between standards in different areas of national life that Longford would pronounce on over ten years later, writing that ‘the history of Japanese national finance is a romantic model of probity and financial genius, yet every European merchant who deals with Japanese merchants tells you that, in matters of business, they are dishonest and untrustworthy’.¹⁵

It was the prospect of the ending of the treaty port regime in the late 1890s, however, that brought the criticisms of Japanese commercial practice to a whole new level. The treaty ports coexisted with extraterritoriality. Under the unequal treaties, Western nationals in the treaty ports were tried for crimes in their own consular courts, which also dealt with complaints against Japanese within their jurisdiction. The agreement to repeal the unequal treaties achieved in 1894 by Japan’s Foreign Minister, Mutsu Munemitsu,¹⁶ meant that all foreigners in Japan would, from 1899, be subject to Japanese law, and complaints against Japanese merchants would have to be pursued in Japanese courts. Few resident foreigners in Japan shared the confidence in the Japanese legal system and its ability to protect foreign interests that had been articulated by those negotiating the repeal. The French teacher and journalist, Georges Bigot, a long-time resident of Japan, was among those who fuelled Western concerns about

what this would mean. His cartoons from the mid-1890s, published in a satirical magazine under treaty port protection, depicted the potential for arbitrary imprisonment of Westerners by Japan, and the threatening stance of Japanese trials towards Western plaintiffs. Bigot himself chose to return to France rather than be subject to Japanese law, and although most did not take such extreme action, in general the level of local confidence in the ability of Japanese courts to uphold Western rights in Japan was low.¹⁷

One treaty port resident who gave vent to his concerns at substantial length in the British media was Robert Young, at the time the editor of the English language paper *The Kobe Chronicle*. Citing as his precedents the iniquities of trading morals described by British writers from Daniel Defoe to Herbert Spencer, Young pronounced it to be ‘the unanimous opinion of those in a position to judge, that Japanese commercial morality is of a defective type when compared even with the standard prevailing in China’.¹⁸ This situation was, said Young, a direct outcome of the traditional view that trade was demeaning, which meant that ‘the man who fails to take advantage of his neighbour when opportunity serves is looked upon rather as a fool than as one whose example should be praised and imitated’.¹⁹ Young, however, moved beyond general principles to cite chapter and verse of incidents in which British traders had been cheated by Japanese ones, and had faced enormous difficulties in obtaining redress. In one case, a wealthy Japanese businessman who also happened to be president of the Yokohama Yarn Guild refused to take delivery of a yarn consignment, and then threatened the British shipper with a general boycott unless he agreed to a disadvantageous compromise agreement, despite the Japanese court having found in the plaintiff’s favour. The overturning of the court’s judgement was justified locally on the basis of long-established trading practices, a situation that called into question the whole role of the law in protecting the right of the merchant. Nor were the Japanese authorities themselves regarded as being much better than their merchant compatriots. The Japanese organisers’ imposition of falsely low prices on exhibitors at the Kyoto Industrial Exhibition forced them to cheat to avoid incurring substantial losses, while a failure to inform foreigners of marginal changes in the exchange rate between the *ichibu* and the dollar meant that foreigners were disproportionately penalised in the payment of customs dues compared to their Japanese counterparts.²⁰ Most serious, fulminated Young, was the light that this cast on attitudes at all levels to commercial morality. It was a case of profit at all cost, and Japan’s leaders

failed to set a good example. Young, like others, suggested that many of the evils had their origins in the traditional position of merchants in Japan:

We see in this the direct outcome of the contempt for trade and for all who concerned themselves in barter, which was one of the features of feudal days in Japan. Ethical considerations were held to be out of place in the field of commerce, and as a result we find that men who would not dream of doing their neighbours injustice or injury in the ordinary affairs of life have no hesitation in overreaching them in a commercial bargain. Trade is thus placed by immemorial custom outside the sphere of morality—it is something to which ethics do not apply.²¹

Young believed that change would eventually come, but that it would take time.

The Economist, ever vigilant to issues of commercial morality inside and outside Britain, drew attention to the requirement for British traders to give greater consideration to the needs of the Japanese consumer should they want to maintain their foothold, while at the same time it should be borne in mind ‘that the mass of Japanese traders have very low ideas of commercial morality, and are accustomed to repudiate their contracts, if they entail even a small loss, without a particle of compunction’.²² The following year, the same journal was observing that it would be unfortunate for Japan if the country managed to drive foreign merchants out ‘before the ordinary Japanese merchant has attained a higher standard of commercial morality than at present exists’.²³ When it came to the implementation of treaty revision, the journal remained pessimistic: ‘that her courts are entirely trustworthy is no doubt matter rather of hope than of certainty, for the commercial morality of her people is not high’.²⁴

Other accounts from the 1890s confirm the existence of widespread and significant scepticism about the prospects for foreigners under the new regime given Japan’s weakness in the area of ethical business practice. One writer, R.B. Peery, a Lutheran missionary with many years of experience in Japan, noted that Japanese merchants were totally unreliable. Prices failed to reflect the real value of an article, but rather whatever could be extracted from the purchaser. ‘In matters of veracity and in the fulfilment of contracts’, he wrote, ‘Japanese merchants are not generally to be trusted. The average man is famous for lying, and the merchants and tradesmen seem to have acquired an extra share of this general characteristic. A Japanese trader will do all in his power to avoid the fulfilment of

a contract if it entails a loss. This lack of commercial honor [*sic*] is recognized by the foreign firms doing business here, and it has hindered not a little the growth and development of trade'.²⁵ Other accounts continued to reiterate the unfavourable comparison between the Japanese and the Chinese in terms of their willingness to adhere to honest dealing. One long-term Yokohama resident was reported as saying that, when it came to commercial morality, 'the Japanese have none'.²⁶

The criticisms were even taken up by some who were highly supportive of Japan and its efforts at industrialisation and declared themselves to be among the country's staunchest supporters. Arthur Diosy, founder of the Japan Society of London in the 1890s, sought to tackle the problem head on in his book *The New Far East*. A review of this volume that appeared in *The Times* on its initial publication in 1898 not only noted its very favourable tone towards the Japanese, but also expressed approval of the 'fair-mindedness' with which the author talked about discreditable aspects of the country, notably his comments on commercial morality.²⁷ Diosy wrote frankly of the prevalent view in East and Southeast Asia that the Japanese were, in general, less than honest in their pursuit of commerce and trade. He listed the complaints that were made by local merchants and in consular reports, which made up the usual litany of unpaid debts, unsatisfied claims, unfulfilled contracts, and nullifying of court judgements by local boycotts. However, he also emphasised the need to be cautious about the complaints, since they normally came from those with a vested interest in discouraging direct trade as they dealt through Japanese middlemen. Nevertheless, he made no attempt to deny the validity of the criticisms. He conceded that while a number of the leading business organisations and families adhered to the highest standards that could be expected, they remained in the minority, and the behaviour of the mass of traders left a great deal to be desired.²⁸

Diosy's analysis of the problem was sympathetic and rooted in considerable knowledge of the country, but it was also firm. It suggested a number of the explanations that, as we will see, were also taken up by the Japanese elite. Firstly, he argued that early Western traders in the treaty ports in Asia had set a very poor example, and criticised the failure of the Western media to acknowledge these instances of shockingly bad behaviour. 'We seldom, if ever, hear', he wrote, 'of the crazy steam-ships, the rickety machinery, the faulty rifles, the unsound goods of all kinds that were sold, in those days [1860s], at exorbitant prices, to buyers incapable, at the time, of detecting the frauds'.²⁹ The Japanese, as novices in international trade,

had been taken advantage of, and such practices by Westerners had to some extent continued. Secondly, despite the major advances that Japan had made, the commercial world consisted of two distinct classes: one the new big businesses, often structured as joint stock companies, and the other the mass of small manufacturers and petty traders. While the former class was as replete with integrity, honesty, and morality as the best of its Western equivalents, it was with the latter category that the problems resided. This group lacked ‘any broad conception of business’, and were ‘mere hucksters, taking a greater delight in the momentary gain of a few *Yen* than in the undertaking of a transaction likely to result in a steadily increasing trade to the tune of thousands’. They were fools who were ‘bent on squeezing the utmost amount of immediate profit out of a customer, regardless of the fact that they are thereby losing the chance of future steady and lucrative trade’.³⁰ Diosy was clear that better education and exhortations to improvement were the long-term answer, but at the time of writing, institutions of commercial education were few, and most graduates went into large firms rather than small ones. Having said that, if one looked just at the domestic Japanese economy, there was widespread evidence of probity and high standards. ‘The majority of the retail traders, the shopkeepers and small producers, are good, honest, marvellously industrious people, content with a small margin of profit. Their wares are often sold in *Kuwan-kōba*, or bazaars, at absolutely fixed prices, “every article marked in plain figures,” and the same excellent system is being gradually adopted in some of the principal shops in Tokio and in some of the larger provincial towns.’³¹

Diosy clearly shared the view that bargaining over prices, which remained widespread in Japan, was something that had to be eradicated in the interests of raising commercial standards. More tellingly, he highlighted the issue of cultural disparities. While most domestic transactions were conducted in an appropriate fashion, he suggested, it was when small traders and manufacturers started to engage in international transactions that the problems emerged. ‘It is when the small trader launches out into international transactions that his cupidity appears to become unduly excited. He is brought face to face with the prospect of sudden immoderate gain, for, in his eyes, every foreigner seems a very Croesus—an impression strengthened by the lavish manner in which some American travellers fling their money about—and he loses his head and becomes foolishly rapacious.’³² The combination of greed and ignorance in the context of Japan’s integration into international trade was bound to provoke a hos-

tile response from trading counterparts. Where Diosy differed from many of his contemporaries, however, was in his ability to spell out the real implications of the situation for the future of Japan. He did this in a way that, as we will see, resonated strongly with the analysis offered by the Japanese elite around the same time, a group with which he had surely discussed the issue of commercial morality. The Western criticisms mattered, Diosy argued, because they jeopardised Japan's reputation, and thereby repeated transactions and longer-term prosperity. 'The Occidental trader, sooner or later, suffers at their hands. He raises, in his wrath, a hue and cry against all Japanese mercantile people indiscriminately, and the perfectly sound, honest, native firms are made to bear, in the public opinion of the West, the odium properly attaching only to the "shady" minor traders.'³³ Addressing the problem was a matter of urgency, but would also take time. The answer, he believed, lay in an appeal to national interest. 'Let the Japanese once thoroughly understand that unfair commercial methods, excessive greed, and failure to meet engagements, will inevitably tarnish not only the sign-board of the peccant firm, but the glory of the national flag, and public opinion will brand the transgressors, and will establish and maintain a standard of commercial morality as high as any in the world.'³⁴

The implementation of treaty revision, which the localised dissent from those on the spot and their supporters was powerless to halt, did little to stem the tide of concerns over the Japanese want of commercial morality. Indeed, we find that many commentators felt that events in the early years of the twentieth century only served to confirm their worst fears about the inability of the Japanese courts appropriately to protect the rights of Westerners who were engaged in trade with Japan. These worries about a failure of legal protection were closely associated with the reporting of conspicuous cases in which British and other Western traders had failed to find redress for the wrongs done to them. Conspicuous among them were law suits relating to fraudulent trademarks, branding and other intellectual property issues. Less formally pursued, but no less in evidence, were growing complaints about the quality of Japanese products, which presaged many later concerns about Japanese undercutting and dumping, but which in the early decades of the twentieth century also fuelled Japan's reputation as a nation that did not play honestly in the international market.

As noted in the Introduction, no less an authority than Joseph Longford, former British consul in Japan, wrote damningly about the reputation of Japanese merchants in an article in 1905, and considered why

in this respect they were so inferior to the Chinese, given that the Chinese were no less anxious to make money and did so in the face of corrupt government and unsupportive institutions. Longford seemed less willing than Diosy to accept that Western merchants might have continued to set a bad example, but shared his view that despite the presence of honourable large firms and financial institutions, the mass of ‘Japanese traders as a class have, according to the universal verdict of those who deal with them, to this day the unsavoury reputation of absolute unreliability in the fulfilment of any obligation, of having failed to acquire in their commercial transactions even the most elementary principles of common honesty’.³⁵ Longford’s analysis was also historically rooted. He too was among the more dispassionate and knowledgeable observers who explained the bad behaviour with reference to the traditionally low status of the commercial classes in Japan, at the bottom of the Edo period social hierarchy. Because merchants had been considered the lowest of the low, and had had as their sole objective the making of money, general expectations of their honesty and truth were extremely low. It had been considered legitimate to adopt almost any means of achieving gain. The traditional Japanese merchant was, therefore, as much an object of pity as of condemnation:

Almost a social outcast, crushed through three centuries by the arbitrary domination of a rigid feudalism, always liable at any moment to whatever exactions the personal needs of his lord saw fit to impose upon him, is it any wonder that, while feudalism lasted, the Japanese trader was dishonest and unenterprising, incapable of grasping the most elementary principles of commercial integrity, or even of seeing that there might be occasions on which honesty is the best policy?³⁶

Again, the combination of ignorance and greed during the process of Japan’s integration into global trade had caused many of the problems. What was more disappointing to Longford, however, was the relative absence of inducements to Japanese traders to modify their former behaviour in relation to dealings with foreigners, and their utter failure to change for the better. ‘Neither wealth, self interest, nor patriotism’, he suggested, ‘has even modified their inherited and deeply ingrained incapacity for grasping the primary tenets of commercial integrity. Whether as buyers or sellers they are equally distrusted by their foreign compeers’.³⁷ The consequence was the imposition of substantial additional transactions costs in Japan’s foreign trade. Japanese bills were not

accepted by foreign banks without huge collateral, advance payments were demanded on imported goods, and exhaustive inspections of goods were necessary. Repudiation of contracts for fear of loss was widespread, while foreign appeals to the law continued to bring threats of boycotts from Japanese traders' organisations. The courts themselves seemed reluctant to find in favour of foreigners. Like Diosy, Longford expressed a degree of optimism. The problem was largely confined to those who had previously been involved in treaty port trade. Many other commercial dealings in Japan were characterised by high standards of honesty. Internal transactions were largely problem-free, and the social stigma against trade had been largely removed. Nevertheless, the prospect of all Japanese traders engaged in international transactions being regarded as individuals of integrity was something that could only be expected in the distant future.³⁸

Popular publications, as might be expected, were invariably far less circumspect and analytical than observers such as Diosy and Longford. They were also frequently far more explicit in giving chapter and verse in support of the moral condemnations, and took a leading role in highlighting growing concerns about trademark and branding fraud which in the first decade of the twentieth century started to become the most conspicuous and frequently reiterated explicit example of Japan's lack of commercial integrity. *The Manchester Guardian*, reflecting concerns in the cotton industry heartland of the northwest, in 1907 reported on a meeting that had taken place between E.F. Crowe, the British commercial attaché in Yokohama, and members of the Manchester Chamber of Commerce. The article referred to the piracy of British trademarks by the Japanese as a 'burning grievance' that the Japanese courts were doing little to mitigate. Even where the courts did find in a British plaintiff's favour, the ruling often led to a retaliatory boycott by Japanese business interests. It was even more difficult to enforce British intellectual property rights in third markets such as China. In one case 'when the Japanese imitator of the trade mark was challenged his reply was that he defied any opposition, and that he considered himself at liberty to use this particular trade mark for the whole of China'.³⁹ The paper returned to the same theme later the same year, noting that 'Japanese firms do not hesitate to indulge in violations of the law of foreign trade marks, and although these trade marks are duly registered for protection according to Japanese law, the offender is sometimes allowed to carry on his infringement of them with impunity'. The law in Japan appeared unable or unwilling to protect foreign interests.

One case taken up by a mineral water producer had been lost not because the court had ruled that his rights had not been breached, but purely because the court had decided that his losses from the fraud were minimal. It was well known, complained the paper,

that more or less close imitations of foreign articles of various kinds are being constantly and extensively produced in Japan, and are not only sold here, but to a very large extent in China, Korea, and Manchuria, as genuine foreign goods.... Hundreds and thousands of shops in China and Korea are selling a worthless quality of cigarettes, made in Japan but bearing the names of foreign tobacco companies. Huntley and Palmer's biscuits, Bryant and May's matches, and other first-class foreign productions are also successfully imitated in appearance though not in quality, and find an increasing sale in place of the more expensive genuine article.⁴⁰

The diplomatic and consular authorities in Japan subscribed to the concerns, indicating that imitation of British trademarks was potentially and actually damaging British interests, and advising producers that they should in as far as possible register their trademarks not just in Britain, but in Japan as well.⁴¹ One notorious case that seemed to epitomise the concerns of British observers related to a Japanese wine merchant from Osaka who did a flourishing trade in what was acknowledged to be very inferior Japanese-made 'Scotch' whisky. The merchant in question was taken to court by Buchanan's, the manufacturer of the famous Black and White whisky, on the grounds that his label, registered with the Japanese authorities, was an almost exact copy of their own with its black and white Scottie dogs. When the case came to court, the Japanese producer, in his defence, frankly admitted copying the label in order to make the whisky look as if it had been imported, and because Buchanan's whisky was so popular in Japan. His core argument, however, was that the quality of his whisky was so inferior that only a fool would have been taken in by his deception.⁴² This argument for *caveat emptor* in the extreme was not dissimilar to that made several decades earlier by a British milk producer who sold diluted milk well below the normal market price and claimed that only an idiot would expect such cheap milk not to be adulterated.⁴³ What really appalled the foreign community in the Buchanan case, though, was that when the verdict was announced, it initially went in favour of the Japanese defendant, on exactly the grounds that he had indicated, namely, the self-evident inferiority of the Japanese product. It was not until a few

months later that the judgement was overturned on appeal, and the trademark registered in Japan was cancelled on the grounds that it infringed Buchanan's branding rights.⁴⁴

There were a few commentators who did not share this growing concern over breaches of foreign property rights. A *Times* correspondent in Tokyo was reported as arguing that the concerns over imitation trademarks were exaggerated, and the Japanese authorities were becoming increasingly stringent in not allowing the registration of trademarks that were clearly calculated to deceive the purchaser.⁴⁵ Nevertheless, concerns persisted both over the ability and willingness of Japanese courts to protect international property rights, and the whole apparatus of international brand and trademark protection. *The Manchester Guardian*, in 1909, welcomed the recent conclusion between Japan and the USA of a treaty allowing for reciprocal protection of trademarks, designs, patents, and copyright across East Asia, and expressed regret that the British government had not taken the lead in the conclusion of such an arrangement in defence of British commercial interests.⁴⁶

FROM PIRACY TO DUMPING

The concerns over intellectual property rights did not completely displace the earlier complaints of substandard products, dishonouring of contracts and general deceit and dishonesty. They did, however, become a potent part of the mix of criticisms that eventually culminated in the widespread accusations of cheap labour, 'dumping' of low-quality products, and unfair competition that were levied at Japan in the 1930s, in the wake of the Great Depression. Exploring in detail these complaints in the 1930s and in the early post-Second World War period lies beyond the scope of this study, but it must be recognised that the earlier resentments about Japan's deficient commercial morality provided fertile ground on which such resentments could build. One British report from 1920 reiterating concerns over imitation and trademarks was typical. It described how a businessman had very recently been shown in London 'a fountain pen resembling in the minutest detail a well-known English make. The box containing it was an equally clever imitation of the English make, yet it was sold in Singapore at a quarter of the price for which the English article could be produced. The very best-known marks on our piece goods were imitated and stamped on goods far inferior. Further when Indian buyers had bought goods from Japan they found them correct half-way down the case and entirely dif-

ferent in the other half.⁴⁷ A Japanese mission visiting Sheffield two years later was given some apparently striking examples of Japanese businesses infringing trademarks on Sheffield cutlery,⁴⁸ while more than a decade on the issue of Japanese using British trademarks to sell earthenware goods was again being raised in the House of Commons.⁴⁹

If we look overall at the comments of contemporaries through the pre-war years, therefore, it is clear that although after the 1900s the concern over Japan's low level of commercial morality may have receded somewhat, it never really went away. On the one hand, there were certainly some who contended that the growth in direct dealings was overall beneficial for the expansion of trade, and the risks remained relatively small,⁵⁰ but many of those who traded with Japan continued to argue that the Japanese were not to be trusted, and to bemoan the expansion of direct trading with Japanese firms. Despite the expressions of mutual friendship that accompanied the conclusion of the Anglo-Japanese Alliance and events such as the Japan-British Exhibition of 1910, newspapers continued to recount serious examples of fraud and malpractice in leading Japanese companies often held up as exemplars of best commercial practice. Instances of supposed corruption within Japan were taken up with enthusiasm by Japan's critics. What were referred to as 'questionable' business practices at the Dai Nippon Sugar Company, for example, received significant attention in 1909 as a number of foreigners had incurred losses because of them. The issue had become a public scandal in Japan itself, it was reported, and a number of those involved had been arrested. 'Members of Parliament are being examined in connection with charges of bribery, and it is alleged that an exposure will be made of a vast system of bribery put into force by more than one public company for the sake of influencing Government grants as subsidies in support of companies.'⁵¹ Towards the end of 1910, *The Economist* reported a widespread lack of trust on the part of the Japanese themselves in the directors of many of their own large companies; some, it was said, had manipulated company accounts, and then avoided responsibility either by resigning or else paying a derisory fine. Official inspection of legal documents in Japan was at best cursory, and one businessman who had been directly exposed to dealings with the Japanese had spoken of the 'widespread unreliability of the Japanese nation in commerce'. Not only did this situation appear to symbolise a general lack of confidence in industrial and commercial enterprises, but also potentially exposed failures of regulation and governance.⁵² A succession of scandals following the exposure of forgeries at the Nagoya office of Mitsui Bussan a few years

later was also reported in the British press, which recounted that it had provoked a wave of critical articles in the Japanese vernacular press.⁵³

Unfavourable comparisons between the Japanese and Chinese attitudes towards commercial probity also continued. Not all commentators accepted this stereotype unquestioningly. Henry Emery, a professor of economics at Yale and former chair of the US Tariff Board, writing in the 1920s, cast some doubt on Western assumptions regarding the issue of a special kind of commercial honour among the Chinese, and its near total absence in Japan.⁵⁴ He did not refute completely the accepted view of Chinese commercial honesty, quoting with approval the opinion of the Sinologist Edward Parker that ‘it is so universally admitted that Chinese credit stands deservedly high that I need not say another word about it, except that unhappily it has quite recently somewhat degenerated’.⁵⁵ Indeed, Emery argued that China had developed a sense of commercial honour centuries before most Western countries, and it was China’s need to adapt to the more piratical elements in nineteenth century Western trade that had undermined its existing high standards. As elsewhere, there were in China both good and bad merchants, and current problems had their origins in a widespread general decline in standards of commercial morality, cultural differences, and the treaty port environment of early trade. The real culprits were foreign merchants who were inclined to cheat in transactions with the Chinese, as well as in those with other countries, in line with the universal tradition of defrauding the foreigner. These cheating foreigners came from a range of countries, including the USA:

Goods have been delivered of entirely different quality from that specified in the contract. Houses that would not think of trying to palm off an inferior grade to a Christian countryman are quite willing to do so in the case of the benighted heathen. What should he know, anyway, about grades, and what right has he to the best grade even if it should have been specified in the contract?... It was only when it came to settlement that the Chinese merchant found he had been cheated through an instrument which he never understood but was forced to sign.⁵⁶

Emery’s criticisms of Western traders, with their underlining of historical and cultural difference, and an assumption of initial innocence on the part of the Chinese, resonated strongly with similar arguments expounded in defence of Japan, particularly by the Japanese themselves. If the Chinese cheated, it was because they had learned to do so from others who cheated them.

Emery was unusual, though, in his attempt to take apart the assumptions about Chinese probity and Japanese deficiency. Sir John Randles, a conservative Member of Parliament for a Manchester constituency, visited Japan after the First World War, in 1920, and reported back on his visit to the Manchester Chamber of Commerce. He had noted that ‘in the East, as in Manchester, there was a disposition to rate the Chinaman as a business man very highly and the Japanese not so highly. He believed this was because for centuries men who wanted to progress in China had found commerce their best avenue; whereas, until the Japanese began their rapid “Westernisation,” business had been left in their country to the lower types of men, men tricky and sharp.’⁵⁷ One correspondent to the editor of *The Economist* in 1929, discussing the highly topical issue of China’s international trade treaties, commented that ‘the standard of commercial morality among the Chinese trading community is as high as any among Orientals—from my experience, the highest’.⁵⁸ The persistence of the unfavourable comparison only underlined the ongoing assumption that when it came to issues of trade and commerce the Japanese were not to be trusted.

Even the noted economist and Japan expert, G.C. Allen, discussed this comparison between Japan and China in his first work on Japan, published in 1928.⁵⁹ Allen argued that the judgements made of both countries were largely inaccurate, and the main explanation of the misunderstandings lay in cultural and behavioural differences combined with the problematic practices of foreign merchants in the early years of interaction with the West. In the case of Japan, he suggested,

the legend that the Japanese are liars and rogues has grown up largely from Western misunderstanding of, or exasperation at, their methods of expression, and... this people have gained their evil reputation not because they are more depraved rogues and liars than Occidentals are, but because their roguery is not our roguery, and because the lies they tell are different from those to which we have become accustomed.⁶⁰

There was no doubt in Allen’s mind that the infringement of patent rights, imitation of foreign trademarks, and adulteration remained widespread in Japan, just as it had been in Britain in the nineteenth century, but this was in part a response to the traditional social status of merchants and years of exposure to unscrupulous foreign merchants.

In this context, in which even Japan’s supporters and admirers had to acknowledge the importance of the commercial morality issue, the

complaints of dumping, cheap labour, and unfair competition that became prominent in many interpretations of Japan's economy in the 1930s, whether they came from Western producers and traders, or from scholars and political activists such as Freda Utley,⁶¹ built on earlier prejudices about Japanese business practices that had never really gone away. The existence of these complaints in the decade up to the Second World War has been understood largely as a response to Japan's growing presence in international trade in the wake of the Great Depression, when the threats posed by Japanese competition were becoming far more real than they had ever been before, and there is no doubt that economic and political circumstances in this decade played a major role in shaping the international discourse relating to Japan and global trade.⁶² However, as will be shown in the final section of this chapter, these complaints also have longer-term roots than is sometimes thought. In effect, it was growing concern over Japanese competition as early as 1900 that led to Japan being singled out for criticism of its standards of business ethics.

A RESPONSE TO COMPETITION?

If we analyse the contemporary explanations offered for Japan's low levels of commercial morality, it is clear that they could be applied to other countries, including China. The circumstances of Western trade that many commentators believed had contributed to a deterioration in the honesty of some Chinese merchants could clearly also be said of Japan. The often unethical practices of Western merchants in treaty ports in both China and Japan combined with the specific circumstances of treaty port trade to suggest that honesty and integrity did not necessarily pay. In both cases, Western diplomatic representatives, particularly British ones, could be found subscribing to criticisms of local business practices and even to protests against the growth of direct trade despite being also outspoken about the behaviour of some of their fellow countrymen engaged in trade in the treaty ports.⁶³ Contrasts could be drawn in terms of the situation of merchants and commerce in the pre-modern economies and societies of China and Japan, but the general assumption that less industrialised economies were characterised by lower levels of commercial morality, in terms of both formal and informal institutions, held true at the global level.

The French economist, Pierre Leroy-Beaulieu, in a book published in 1900, argued that although the probity of Chinese merchants by comparison with those of Japan was perhaps exaggerated, it had been true

that, in earlier times, merchants had been the most respected social class in China after the literati, whereas in Japan merchants had long been stigmatised under the feudal regime. Although ideas had changed over recent decades, ‘most of those engaged in commerce are still the same people as were doing so before, or their sons, and it is not surprising that their morality should not be... of a high order’.⁶⁴ After all, Leroy-Beaulieu suggested, it was not that long since Europeans had discovered that honesty was in fact the best policy, and had moved away from the ignorant commerce of the Middle Ages. Another economist, the German Karl Rathgen, who had taught at the Imperial University in Tokyo in the 1880s, and was an acknowledged expert on Japan, also attributed some of the problems to the historical origins of Japan’s merchant class. In a 1911 book he indicated that pre-Meiji Japan had had only a few major trading houses that could be expected to demonstrate a greater level of commercial honesty (*kommerziale Ehrlichkeit*). Merchants had been in general at the bottom of the social structure, and it was those elements of this already demeaned social class most lacking in any scruple who engaged in transactions with Western merchants.⁶⁵ While significant progress had been made, Japan remained in many respects a relatively backward economy.

Even the youthful G.C. Allen nearly thirty years later was influenced by the longstanding belief that the level of commercial morality in a country rose in parallel with its economic development and industrialisation:

The early years of European intercourse were marked by shameless exploitation on the part of foreign merchants, and the Japanese was impelled to adapt his morality to that of the foreigner. It was not long before he had bettered his instruction; but by that time the European commercial communities had advanced towards maturity and had been forced to work out a code of commercial morality. This Japan, being still in an earlier stage of economic development, is only just beginning to accept.⁶⁶

The clash of different cultural practices in economic transactions was, thus, common to Western interaction not just with Japan, but also with other countries in Asia and elsewhere across the globe. The same could be said of treaty port conditions.

So, what made Japan different seems to have been the perceived scale of inappropriate behaviour, rather than its inherent character. Bad behaviour by Western or Chinese treaty port merchants tended to be identified as the exception, whereas bad behaviour by Japanese ones was assumed

by many Westerners to be the norm. A major reason for this position of Japan at the bottom of the commercial morality hierarchy, I would suggest, was Japan's growing role in international trade and the threat that it appeared to pose to the status quo. The earlier charges of commercial immorality, whether justified or not, and their later evolution towards the more substantive charges of dumping and unfair competition can only be understood in this context.

As shown in some of the earliest complaints, a Japanese reputation for the production of cheap and shoddy goods was initiated by a failure to deliver goods of the same quality as the samples on the basis of which a contract had been concluded. This reputation can be better understood if we consider the difficulty producers in many non-Western countries had at this time in bringing to market goods of uniform high quality. The economist Leroy-Beaulieu, who was mentioned above, considered the issue of quality of output side by side with the widespread complaints of Japanese dishonesty, conceding that the low quality of Japanese goods was one of the shadows over a generally bright picture of Japanese trade and production. Like producers elsewhere in Asia, the Japanese tended to start off with decent products and then, either due to negligence or because of increasing competition that threatened to cut margins, the quality of their products would subsequently decline. The rapid deterioration in the products of some new industries was a cause for concern, but Leroy-Beaulieu was not concerned with the cheapness of the products *per se*. He noted that Europe had reached an age in which expectations were increasingly geared towards the speedy mass production of cheap goods that could be replaced after a relatively short space of time. Such a strategy had played an important role in the rise of German industry and production. The Japanese should not, he felt, push their pursuit of low-quality and cheap goods too far, as in doing so they were liable to act against their best long-term interests.⁶⁷ Karl Rathgen offered an additional analytical perspective, arguing that effective competition almost anywhere was likely to lead to poisonous accusations against the competitor. The rumours of the Yellow Peril that had been disseminated in relation to Germany were an example of this. The criticisms of Japan, he argued, should be seen in this context:

It can naturally not be maintained that the methods of Japanese competition are always particularly pretty or worthy of praise. But we also find there many complaints that are exaggerated and one-sided. Many have a remarkable similarity to the English complaints about Germany, with whose merits we are sufficiently well acquainted.⁶⁸

Indications that fear of competition was an important element in the criticisms were not restricted to scholars such as Leroy-Beaulieu and Rathgen. There are hints in the press that at least some less expert commentators recognised the genuine difficulties associated with getting the Japanese to adjust to the Western regime of property rights imposed on them by countries that were also their trade rivals. One writer in the *Manchester Guardian* in 1909 went so far as to acknowledge that it was countries such as Britain that had the most to lose from Japanese competition.

We may as well admit that even in our own code of commercial ethics the distinctions between permissible imitation and privacy of a competitor's marks, tickets, or designs are sometimes so fine as to be imperceptible to the abstract moralist. We must remember, too, that our own passion for righteousness in these matters is reinforced by a very much stronger material interest than exists in the case of Japan—we happen to be the owners of most of the valuable property for which we claim respect.⁶⁹

The Britain–Japan Exhibition of 1910 provided a concrete example of how some British producers felt about their Japanese competitors. Although Japanese and British exhibits were supposed to be shown in equal measure, it was suggested that many British producers were so concerned about copying by the Japanese that they were reluctant to display their wares. The Nottingham Chamber of Commerce, which had been asked for samples of work to display in Japan, had concluded that ‘it was distinctly against the interests of English labour and English manufacturers to supply any such samples and specimens’ to Japanese manufacturers, since they then provided lower quality equivalents at lower prices. The Secretary of the Traders’ Association, Mr. Walter Bean, was reported as saying ‘The view I take of the reason why the Japan-British Exhibition is so much an advertisement for Japan and not for England is that British manufacturers refuse to be fooled by these Japanese trade pirates, in view of the way they are using the money borrowed from this country for the purpose of taking all the trade away from us they possibly can.’⁷⁰ Some, of course, thought this hostility short-sighted. We find in another article stimulated by the Exhibition the comment that

No greater compliment could have been paid to Japanese industry and invention than the refusal of the Nottingham Chamber of Commerce a few days ago to furnish samples of lace and embroidery to one of the Commercial Museums of Japan. It is not by such churlish proceedings that the tide of Japanese competition in silks, embroidery, and cotton goods can be stemmed, either in this country or in British Possessions over seas.⁷¹

In the wake of the First World War, which had generated a huge increase in Japanese production and exports as the energies of the leading nations of Western Europe were diverted into war priorities, the question of Japanese competition became progressively more acute. The Manchester MP John Randles, mentioned earlier, reported in 1920 that he had found markets across Asia selling cheap and imitative Japanese goods. In the case of the cotton industry, it did not seem that the Japanese government actually subsidised cotton producers, he said, but they did subsidise the steamers that carried those cotton goods, undermining genuinely free competitive markets.⁷² Lancashire, for so long the dominant player in the world's cotton markets, was feeling increasingly threatened.⁷³ The suggestion that Japan had taken unfair advantage of its wartime position to advance in markets hitherto dominated by Britain and other European powers is clear, and Japan's manufacturing growth combined with the upheavals of the international economy through the 1920s and 1930s would provide fertile ground for the revival of earlier fears and growing resentment at its growing competitive strength.

A look at the empirical evidence on British-Japanese trade competition offers a good indication of changes in the relative positions of British and Japanese trade over this period. Table 3.1 shows that, while Britain's share of world trade by value was experiencing a sustained decline in the face of the growing dominance of Germany, and then of the USA, that decline was less conspicuous than was the case in France, and Britain remained one of the world's largest traders throughout the period under discussion here. Japan was clearly gaining ground, but remained a comparatively much smaller player.

Nor does a look at the figures for the value of direct trade between Britain and Japan (Table 3.2) suggest that there was undue cause for

Table 3.1 Shares of different countries in World Trade, 1899–1937 (%)

| | <i>Japan</i> | <i>US</i> | <i>Britain</i> | <i>Germany</i> | <i>France</i> |
|------|--------------|-----------|----------------|----------------|---------------|
| 1899 | 1.5 | 11.2 | 32.5 | 22.2 | 15.8 |
| 1913 | 2.4 | 12.6 | 29.9 | 26.4 | 12.9 |
| 1929 | 3.9 | 20.7 | 23.6 | 21.0 | 11.2 |
| 1937 | 7.2 | 19.6 | 22.4 | 22.4 | 6.4 |

Source: H. Tyszynski, 'World Trade in Manufactured Commodities, 1899–1950', *The Manchester School* 19, no. 3 (1951), p. 286

Table 3.2 Value of British-Japanese Trade, 1885–1935

| | <i>Japanese exports to Britain (million yen, to nearest hundred thousand)</i> | <i>Japanese imports from Britain (million yen, to nearest hundred thousand)</i> |
|------|---|---|
| 1885 | 2.4 | 12.4 |
| 1890 | 5.6 | 26.6 |
| 1895 | 7.9 | 45.2 |
| 1900 | 11.3 | 71.6 |
| 1905 | 13.0 | 115.4 |
| 1910 | 25.8 | 94.7 |
| 1915 | 68.5 | 58.1 |
| 1920 | 97.8 | 235.4 |
| 1925 | 59.7 | 227.3 |
| 1930 | 61.8 | 92.6 |
| 1935 | 119.5 | 82.2 |

Source: Hunter and Sugiyama (eds.), *Economic and Business Relations*, pp. 20–21, 40–41

Table 3.3 British and Japanese involvement in China

| | <i>Direct trade (million Haikwan taels)</i> | | <i>Number of firms in China</i> | |
|------|---|--------------|---------------------------------|--------------|
| | <i>Britain</i> | <i>Japan</i> | <i>Britain</i> | <i>Japan</i> |
| 1899 | 53.9 | 53.1 | 401 | 195 |
| 1913 | 113.3 | 184.9 | 590 | 1269 |
| 1930 | 170.9 | 543.7 | 1027 | 4633 |

Source: Hunter and Sugiyama (eds.), *Economic and Business Relations*, p. 45

alarm before the mid-1930s. Apart from the exceptional period of the First World War, Britain was exporting significantly more to Japan than she was importing from Japan throughout the decades under discussion. Indeed, in the decade after the war there was a huge upsurge in British exports to Japan. Not until 1935, when Japanese monetary and fiscal policy had improved the competitiveness of Japanese products and stimulated a rapid recovery from the Great Depression, do we find this balance of trade shifted in Japan's favour.

There is little to suggest in the bilateral dimension, therefore, that British producers and traders needed to have such fear of Japanese competition. If we look at world trade in specific commodities, however, the

story looks rather different. In textiles and clothing, in which Britain had long been the world leader, Japan's share of world trade increased dramatically over the decades before the Second World War, while the share of Britain and France declined. For almost every kind of manufactured good, Britain was far less important in world trade by the late 1930s than it had been at the end of the nineteenth century.⁷⁴ It was in third markets such as China, and in goods such as textiles, that British firms felt the growing force of Japanese competition. This trend is suggested by the data in Table 3.3. It is apparent that by the First World War the value of Japan's direct trade with China had overtaken that of Britain, and the disparity continued to grow thereafter. More and more Japanese firms established operations within the territory of their Asian neighbour. While Britain and other Western countries without doubt maintained a major economic presence in China, their position was increasingly eroded by that of Japan. A similar trend can be identified in other third markets, including some within the British Empire.⁷⁵

While both the reality of Japanese competition and the acknowledgement of that reality became increasingly overt in the 1930s, its historical roots can be traced back to earlier decades. Proven instances of fraudulent behaviour, cultural misunderstandings, and increasing fears of Japanese competition combined to generate a widespread assumption that if a country such as Japan was beating the West at its own game, then it was most likely to be doing so by unfair means. Once established, this reputation proved exceptionally hard to overturn. As will be shown in the next chapter, the Japanese side was concerned with exactly the same mix of competitive pressures, cultural traditions, and the pressure to conform to Western standards. Japan's preoccupation with the relationship between the pursuit of 'immoral' trading practices and the country's ability to compete in international markets, however, came from a rather different angle. Japan's standpoint was that of a newcomer, a challenger, and a developing economy.

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7. J.E. Hoare, *Japan's Treaty Ports and Foreign Settlements: The Uninvited Guests* (Folkestone, Kent: Japan Library, 1994), pp. 13–14.
8. Yuki Allyson Honjo, *Japan's Early Experience of Contract Enforcement in the Treaty Ports* (London: Japan Library, 2003), pp. 86, 147.
9. Hoare, *Japan's Treaty Ports and Foreign Settlements* esp. pp. 129–137.
10. Murphy, *The American Merchant Experience*, p. 51.
11. Murphy, *The American Merchant Experience*, p. 168.
12. 'Japanese Commercial Morality', *Times*, 26/09/1888.
13. Hyōgo was the name formerly given to the port of Kobe.
14. 'Japanese Commercial Morality', *Economist*, 10/10/1891, pp. 9–10.
15. Henry Norman, *The Real Japan: Studies of Contemporary Japanese Manners, Morals, Administration, and Politics* (London: T. Fisher Unwin, 1892), p. 357. Jean-Pierre Lehmann, in *The Image of Japan: From Feudal Isolation to World Power, 1850–1905* (1978, republished London: Routledge, 2011), p. 77, also notes Norman's statement that 'there is hardly a well-known European trade-mark that you do not find fraudulently imitated in Japan'.
16. For Mutsu and the treaty revision negotiations see Louis G. Perez, *Japan Comes of Age: Mutsu Munemitsu and the Revision of the Unequal Treaties* (Madison, NJ: Fairleigh Dickinson University Press, 1999).
17. For Bigot see Shimizu Isao, *Meiji no Omokage: Furansujin Gaka Bigo- no Sekai* (Tokyo: Yamakawa Shuppansha, 2002).
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20. Young, 'Commercial Morality', pp. 723–726.
21. Young, 'Commercial Morality', p. 727.
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25. Peery, *The Gist of Japan*, p. 120.
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29. Diosy, *The New Far East*, p. 284.

30. Diosy, *The New Far East*, p. 287.
31. Diosy, *The New Far East*, p. 292.
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34. Diosy, *The New Far East*, p. 293.
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National Interest, Reputation, and Economic Development in an 'Infant' Country: The Japanese Response to Western Criticisms

Abstract Chapter 4 analyses the Japanese response to the criticisms made against Japan. It shows that the majority of Japanese appear to have accepted that the Westerners' criticisms had a strong basis in fact, and acknowledged that even though the bad behaviour might only characterise a small minority, it could nevertheless be highly damaging to Japan's international reputation. It was, therefore, in the national interest to address the problem. Measures including the expansion of commercial education, legislative change, and business missions were taken with a view to improving the behaviour of Japanese commercial actors and the country's reputation. Most Japanese recognised that at least for the time being Japan had to play according to rules dictated by the West, and also subscribed to the assumption that commercial morality would improve as Japan moved towards industrialisation and 'civilisation'. There was ongoing concern, however, about Japan being considered inferior in this respect to countries such as China.

Keywords Japan • Business ethics • Developing economies • Morality

Despite the persistence of vocal Western criticisms of Japanese goods and Japanese commercial behaviour from the late nineteenth century through to the second half of the twentieth century, Japan's international trade expanded in both scale and scope. Westerners continued to buy Japanese

products, to export goods to Japan, and to engage in transactions with those who produced and sold them. The expansion of Japan's trade, particularly with other developing countries, continued in the face of the tensions of the 1930s. The hiatus engendered by the Pacific War gave way to renewed growth of Japanese exports from the 1950s. It is legitimate to ask, therefore, whether these Western criticisms really mattered from a practical point of view, and, if so, whether their most damaging effects were mitigated by steps on the part of the Japanese themselves. In short, were Japan's leaders, for pragmatic or ideological reasons, sufficiently worried about what was being said about the country to try and take effective measures to improve international attitudes towards Japan?

In addressing this question, this chapter analyses the response of Japan's business and political leaders to the criticisms that were levied at Japanese commercial interests, focussing on two main issues. Firstly, it will look at the extent to which the Western discourse on Japanese commercial morality was, or was not, accepted by the Japanese themselves. Did they refute wholeheartedly the criticisms that were made of them, or did they articulate similar concerns or offer similar explanations for the state of affairs? I will show that one striking feature of the Japanese response to the complaints is that, for much of the period under consideration, the majority of Japanese business and political leaders appears to have accepted the veracity of Westerners' criticisms. While they may have suggested some alternative explanations for the perceived phenomenon of dishonest traders, and been more inclined to focus on mitigating circumstances for their appearance, they seem to have conceded that the bad behaviour of the few could tarnish the nation's reputation, and that, at least for the time being, Japan had to play according to the Western-dictated rules of the game. The evidence suggests that they were particularly concerned that Japanese commercial behaviour was thought to be inferior to that in other countries compared to which they strongly believed Japan was highly advanced, such as China. Like their Western counterparts, they spoke of the international clash of cultures and the trajectory towards 'civilisation', in which Japan was as yet an 'infant' country.

Secondly, I will give an indication of the practical measures that were taken in Japan in the country's attempt to improve its image and counteract the problems stemming both from commercial malpractice and from the Western perceptions of its prevalence. We will see that, as in the USA, there was a pronounced move to promote improvements in business ethics through the development of commercial education. Injunctions to

good practice were also a constant refrain, injunctions arguing that honest business was good business and promoted the public good, and which often appealed to the traditional ethical codes of Confucianism. Business missions were sent abroad to listen to complaints and to project an international and Western image of Japanese big business distinct from the small-scale individual merchants who were deemed to be the ones most likely to be guilty of fraudulent practice. The overarching attitude was not so much that morality was a good thing in itself, although some business leaders did argue exactly that, but that while cheating could lead to individual profits in the short term, it was highly detrimental to the national interest and the future of the Japanese economy over the longer term. For many, therefore, the pursuit of higher standards of business ethics was instrumental to the bigger project of the growth of the national economy and achievement of national respectability and influence.

TRADITIONAL SOCIETY AND TREATY PORT VENALITY

It did not, of course, take long for elites in Japan to become aware of how their business practices were viewed by outsiders. That they had a somewhat more nuanced view of this bad behaviour than did external commentators was perhaps to be expected, but similarities in the Western and Japanese analyses are striking from at least the 1880s. Mirroring the content of some of the European consular reports, Japanese commentators highlighted the existence of inadequate standards of behaviour on the part of Japanese merchants and explained it with reference to the historically low social status of commerce, and the absence of respect for business and commercial activity that had resulted from it. Moreover, they drew attention to the low standards of commercial morality of foreign merchants in the treaty ports, and the potential for misunderstanding on the part of merchants on both sides caught between the traditional ways of engaging in commerce and the new practices that characterised treaty port trade. Overwhelmingly, their argument too was essentially that the unfortunate situation that had arisen was in large part the consequence of traditional Japanese attitudes to merchant activity, combined with the particular circumstances of the treaty ports, in which Western merchants were hardly models of probity.

The evolution of Japanese views was closely synchronised with the ups and downs of the Western criticisms, suggesting a particular need to respond at certain times, but it was also closely associated with the

efforts to build a new ‘modern’ business sector in Meiji Japan that would be very different from traditional forms of business and commerce, and more suited to Japan’s need to operate successfully in the late nineteenth-century global economy. There has been considerable debate on the emergence of entrepreneurship and new business forms in Meiji Japan; the motivations behind the growth of modern business have been variously identified as nationalistic, altruistic, and profit-motivated, and the social origins of the new business elite have been the source of considerable controversy. More recent research has demonstrated that Meiji and Taishō period business leaders came from across the social spectrum,¹ but we will see that the steps taken by some of Japan’s business and political leaders to mitigate the worst effects of the foreign complaints both criticised and drew upon traditional value systems and social structures. Whatever the case, however, it is clear that most Japanese observers at the time did not regard traditional modes of commerce and production as a sufficient basis on which to build the ‘new Japan’. Some things had to change, and traditional businessmen and traders were no exception to this rule. If they were to survive, they had to adapt to the changing circumstances. Unfortunately, all change was not necessarily for the better, at least when it came to ethical business practice.

While trade with the West remained confined to the treaty ports, it was easier to identify the problems as relatively localised ones. It was recognised that the treaty ports had on both sides attracted opportunity-seekers for whom business probity was an unnecessary luxury, but as long as bad behaviour remained confined to these circumscribed locations, there seemed limited cause for concern. Unfortunately, even prior to the repeal of the unequal treaties in the late 1890s, it became progressively more difficult to isolate what went on in the ports from the remainder of the country. Exposure to different values and new ways of doing things caused an increasing number of Japanese to question the appropriateness of the old ones, and these questions were discussed not just among the elite, but also in the mass media. An article in the *Yomiuri* newspaper in 1885, for example, highlighted the lower social status traditionally attached to merchants, which, it suggested, still persisted and had, in turn, pushed merchants into demeaning attitudes and forms of behaviour. The overall relationship between merchants and the rest of society, it contended, was not good for economic transactions, and the merchant community needed as a matter of urgency to do something to improve the situation.² While this analysis appeared to be putting the onus for improving standards on the commer-

cial community itself, however, we can also find evidence of an appeal to merchant self-interest very similar to that identified in the original Western discourses on commercial morality. One journalist, later in the same year, argued that approaching customers with respect and attention made good business sense. A satisfied customer was much more likely to engage in repeat business transactions; therefore, treating customers well and not trying to cheat them by such practices as introducing inappropriate price rises was essential to maintaining the prosperity of a business.³

NATIONAL INTEREST, REPUTATION, AND ECONOMIC DEVELOPMENT

In the latter part of the 1890s, as Western criticisms in advance of the implementation of treaty revision became increasingly vocal, a growing public debate emerged within Japan itself regarding the extent to which the criticisms were justified, and, if so, how best they could be addressed. The journal *Jitsugyō no Nihon* (*Business Japan*), a publication which was started in 1897 by the journalist Masuda Giichi, and which later drew British commendation as ‘a magazine which deals fearlessly with evils in business life’,⁴ was one of the first journals in Japan to campaign publicly on the issue of business ethics. It sustained its efforts over many years, mobilising in support of its campaign many of Japan’s leading businessmen, politicians, and diplomatic representatives. One of the first articulations of these elite opinions was a report in 1897 from Arakawa Minoji, the Japanese consul in London, on the limited prospects for Japan’s export trade. Arakawa’s analysis, no doubt informed by the criticisms to which he was exposed at first hand, was blunt. Japanese merchants tended to be incompetent, uneducated, and often immoral, and paid inadequate attention to the changing tastes of Western consumers. Japanese products were flimsy and could not stand prolonged use. Consigned goods were often different in quality from the samples on the basis of which the contract had been concluded, and actions of this kind destroyed the trust that was the very foundation of business. The biggest problem was that those involved failed to realise the damage that this was doing. ‘Our businessmen’, Arakawa reported, ‘have a tendency to belittle this’. The underlying causal factor, though, was the actual character of merchants. If it was just a matter of the material imperfection of goods then that could probably be sorted out, but changing attitudes was a much greater challenge. Western

commerce had achieved its prosperity on the basis of fairness and openness, and Japan had no choice but to do the same. Trust and credit were the foundations of modern economic growth, and the actions that were described only served to destroy that trust.⁵

Indeed, through the rest of 1897, there was hardly a single issue of *Jitsugyō no Nihon* that did not include some reference to the issue of ethical business practice. The concept of trust as a key element in business was firmly established in the thinking behind the journal's stance, but it primarily focussed not so much on morality *per se* as on the need for Japan to organise and present itself in a way that would preserve its national reputation, and hence enhance the country's international trade. 'We all', it claimed, 'want our international commerce to be successful for the prosperity of the country, so why is it that our merchants do not seem to understand this?'⁶ Traders needed to work together to encourage morality in commerce, to avoid damage to Japan's reputation in foreign markets, and to prevent the export of shoddy goods. Without control and coordination, there would be a race to the bottom in terms of quality and price; relentless competition that led to one person trying to steal a march on all the others tarnished the reputation of every single Japanese merchant.⁷ The journal did concede that there existed a number of circumstances that explained the situation in which Japanese commerce found itself. For example, as Arakawa had stated, Japan's unavoidable dependence on multiple small manufacturers inevitably led to uneven product quality, and this could only be changed with time and better coordination.⁸ Japan's shortage of capital also posed problems for some commercial actors and producers.⁹ Japan, in short, faced the kinds of obstacles to export growth and industrialisation that confronted many developing economies. These obstacles might serve as explanatory factors, but could never excuse acts of immorality in business. In no way did they serve as any justification for the negative reputation that Japan had acquired. Nor was the persistence of that negative reputation in Japan's best interests.

It was above all for this last reason, namely the national interest, that *Jitsugyō no Nihon* and many who came after it argued that the Western criticisms of Japan's commercial morality just could not be ignored. It mattered that 'every time an American opens his mouth it is to complain about the lack of morality of Japanese producers and traders'.¹⁰ Of course, there was bound to be some bias in Western comments, but they nevertheless had to be considered with the utmost seriousness. Contracts should be adhered to by Japanese merchants even if a change in business condi-

tions meant that they might not deliver the expected profit. To respond to Western blacklisting of a Japanese merchant for unethical behaviour by a collective blacklisting of the Western firm involved, as had happened on more than one occasion, was just wrong. Expansion of export markets, the journal opined, was contingent on overcoming the deficit in trust and creditworthiness. The complaints of many in England and elsewhere that Japanese goods were crude, and of low and uneven quality, had been mentioned frequently, but the situation had yet to improve, and despatching goods inferior to a previous sample was ‘almost the same as committing fraud’. In this view, the lack of commercial probity was directly associated with Japan’s exporting of low-quality merchandise, and the two problems could only be addressed in tandem. This message had been reiterated by Japanese consuls in numerous ports, and the journal cited as an example a report by the consul of Japan in Tianjin:

Firstly the sample goods and the consigned goods are not the same. That is to say manufacturers in Japan send goods to merchants in China to try and secure orders, and Chinese merchants then place orders on the basis of those samples. As the volume of orders increases, the quality of the goods provided goes down more and more. For example, a certain brand of Japanese soap had a very nice scent, and was well liked by Chinese purchasers, but the more the volume of imports increased the more the scent declined, until there was almost no scent at all, and eventually the purchases ceased altogether.¹¹

The prevailing situation, therefore, was potentially damaging not only to Japan’s direct trade with the countries of the West, but also to trade in Asian countries where Japan might be expected to have something of an advantage. It was a fundamental concern for Western-Japanese competition in third markets.¹²

The journal’s campaign was echoed in other parts of the Japanese media. The newspaper *Kokumin*, for example, was reported by one British Embassy official as having pointed out ‘that men engaged in commerce were for the most part lacking in mercantile education, and in the case of those who possessed any at all it was of an imperfect character’.¹³ The *Yomiuri* opined that the root cause of future business problems was likely to be ‘the corruption of commercial morality’ (*shōgyō dōtoku no taibai*), which was to be found in all areas of commerce, manufacturing, banking, and business, and in both domestic and overseas dealings. Senior officials

of banks and other companies were engaging in fraudulent practices, while manufacturers supplied sub-quality products. In fact, if the *Yomiuri* was to be believed, people across the board were securing illegal profits by immoral means.¹⁴

If we take major export products such as tea and *habutae*,¹⁵ there is a deficiency of commercial morality among those who supply the goods, they think only of immediate profit and pay no attention to longer term prosperity. In relation to both quantity and quality of goods they concoct schemes and juggle the figures. They thereby exercise deception on foreign merchants, and for a short time make an inappropriate profit, but they immediately forfeit trust and lose markets, jeopardising in the process the growth of foreign trade.... It has become almost normal for there to be disparity in quality between sample goods and the final product, and this is deplorable.... Unless we can reverse the degradation of our commercial morality, respecting morality, paying attention to credit standing and to contracts, along the lines of economic society in Europe and North America, then however much we may support and encourage business it is to be feared that the results will not be as we would wish.¹⁶

The *Yomiuri's* conviction that malpractice in Japanese commerce was widespread led it to pronouncements on the relationship between morality, economic activity, and the making of profits that resonated strongly with those of its British counterparts some years earlier:

Surely people must recognise the importance of honest commerce, and that trust is the foundation of business? The prosperity of economy and society rests mainly on businessmen showing respect for moral principles, paying attention to trust, and honouring contracts. A commercial world characterised by moral principles, trust and [keeping] promises is one that will naturally prosper. One that is the opposite, lacking in moral principles, trust and adherence to promises, will in the long run not prosper, even with official support and relief.¹⁷

These reflections of the Western concerns were far from being limited to editorial writers and journalists; they extended to a wide range of political and business leaders. Although it was *Jitsugyō no Nihon* that was initially most proactive in offering these leaders a platform, a range of speeches and publications from the turn of the century onwards provides evidence of the extent of elite concern over Japan's extremely poor repu-

tation when it came to commercial honesty, fair dealing, and the quality of its goods. Business and political leaders, and academics who had spent considerable periods abroad, were conspicuous early on in voicing their concerns. Members of this elite had experienced at first hand the Western criticisms, and did not hesitate to offer concrete examples of complaints that had been made to them directly, or that had been reported with well-supported evidence. Their concerns were taken up by others who might be less well travelled, but who realised that both their own prospects and those of the nation could be seriously undermined by Western claims that the Japanese as a race were deficient in commercial morality. While the Japanese side did not for the most part engage in the same kind of across-the-board stereotyping of Japanese merchants as their Western counterparts, they did invariably concede that some Japanese traders engaged in fraudulent and immoral activity, and that violation of contracts, substandard products, and trademark and branding fraud meant that Japanese merchants had made themselves ‘inferior even to the Chinese’. Arakawa, the Japanese consul in London mentioned earlier, continued to reiterate his concerns, arguing, like his British contemporaries, that trust was the foundation of trade and that trust could only be built on a basis of moral conduct. Once the markets in London had come to view Japanese businessmen as ‘deficient in morality, and untrustworthy’, it was very difficult to restore the necessary level of trust and credit.¹⁸

Writing in August 1900, Katō Takaaki (Kōmei), former Japanese envoy to Britain and now Foreign Minister, summed up the official view:

Commercial dealings depend on credit, and credit grows more important as the scale [of business] increases. This is particularly true of international trade, but unfortunately our credit standing internationally is low, with foreign merchants generally believing that we do not hold to contracts, and that we are lacking in good faith. Of course, many of our merchants are honest, and we should not believe everything that foreigners say, but they compare us unfavourably with China in terms of commercial morality, though favourably in terms of politics.... There is no smoke without a fire, so this bad reputation is a major obstacle to the development of our international trade. It is an urgent matter to improve our trustworthiness.¹⁹

In support of his claims, Katō cited the case of a Japanese merchant who had refused to accept a consignment of calico because the price had fallen, and when taken to court had, in time-honoured fashion, persuaded his

fellow traders to boycott the foreign firm responsible for supplying the consignment. Katō also emphasised the extent to which domestic business scandals within Japan were no longer purely local events, but communicated all over the world, further damaging Japan's reputation for honest dealing. A scandal over water piping in Kōbe, for example, had been reported in both London and New York, but had received very little attention from the Japanese press.²⁰ Katō's concern over the extent to which domestic business scandals fuelled the critical views of foreigners was not unjustified. There are a number of examples of Western journals seeming to have been only too keen to cite Japanese instances of dishonest directors, irresponsible inspectors, and incompetent auditors.²¹

Ōkuma Shigenobu, the former Prime Minister, who took a strong interest in disseminating information on Japan overseas,²² deemed it necessary to make a contribution on the issue of commercial morality as a supplement to the entry on 'Japan' in the 11th edition of the *Encyclopaedia Britannica* shortly before the First World War. While he rejected the stereotyping of all Japanese, and, like others, sought to explain the origins of the problem with reference to the traditionally low status of the commercial classes and the lack of scruple of both Japanese and Western merchants in the treaty ports, Ōkuma, too, was willing to acknowledge that the criticisms were not without foundation.

It cannot be denied that there have been many instances of dishonesty on the part of Japanese tradesmen or employees... Infringement of patent rights and fraudulent imitation of trade-marks have with some truth also been charged against the Japanese; about this it is to be remarked that although the principles of morality cannot change, their applications may be new; patents and trade-marks are something new to the Japanese, and it takes time to teach that their infringement should be regarded with the same moral censure as stealing.... It is however to be regretted that in introducing Western business methods, it has not been quite possible to exclude some of their evils, such as promotion of swindling companies, tampering with members of legislature, and so forth.²³

This senior statesman was keen not only to demonstrate that the fault did not lie exclusively with Japan, but also to argue that the level of Japan's commercial morality was rapidly improving. He claimed that the government had done everything to prevent fraudulent practices by enacting and enforcing laws against them, and suggested that commerce and trade were

now regarded as highly honourable professions, with merchants and businessmen even being elevated to the peerage. The Western views considered in the previous chapter, as well as the ongoing debates within Japan itself, cast doubt on whether the 'improvements' were as great as Ōkuma maintained, but his message was in line with the views of many others in Japan. Moreover, the existence of such pronouncements by a leading statesman in a Western reference text of such universal repute must be viewed, at least in part, as an articulation of the shared desire of Japan's leaders to achieve recognition of the country's status as a 'Great Power', in a position of equality with Western nations.

The views of these politicians were echoed both in more academic works and in the pronouncements of leading individuals in business and banking. Academic analyses by Japanese scholars of economics and political science were, as might be expected, cautious in their statements on the issue. Kinoshita Ietarō, an academic writing about Japanese commerce in 1902, discussed commercial attitudes in Japan, but was more concerned to emphasise the development of commerce as 'the handmaid of civilisation', focussing on the need for greater economic understanding and the building up of Japan's comparative advantage.²⁴ The scholar Hattori Yukimasa, however, who studied in the USA around the turn of the century, was more concerned with the reputational issue. As a part of his 1904 analysis of Japan's foreign trade since the Meiji Restoration, Hattori sought to identify problems impeding the expansion of trade. He was concerned that the dependence on foreign middlemen residing in the treaty ports had significantly raised transactions costs, but that the shift to direct trade that many Japanese wanted was hindered by a lack of credit, high interest rates, and also a lack of uniform quality of Japanese manufactured goods. He was clear that Japan's lack of international commercial experience, in effect a general ignorance on the part of the Japanese about foreign commerce, disadvantaged the country in international transactions.²⁵ For Hattori, however, these problems could not be addressed separately from the ways in which Japanese traders conducted their business. 'The low tone of commercial morality among the Japanese merchants', he wrote, 'must also be counted as one of the causes which are hampering the development of direct transactions with foreign countries'.²⁶ Iida Hatarō, who had obtained his doctorate of commerce in Belgium and was, in 1909, to be a member of a major Japanese business delegation to the USA, emphasised that any failure to deliver to contract, whether or not there were legitimate reasons for such a fail-

ure, undermined the all-important relationship between seller and purchaser.²⁷ Another commentator was Hino Sukehide, the scion of a noble family who had studied economics for a number of years in England, and would later serve as a member of the Upper House of the Diet. Hino agreed with Kinoshita that Japan needed to do more to ensure that the principles of economics were applied to business in order to lay strong foundations for future growth, and again attributed some of this deficit to the traditional contempt for commerce, but he somewhat idealistically predicted that as global trade progressed the gap between different peoples' customs would shrink until they eventually became 'as one'.²⁸ Writing in 1897, Hino blamed the post-Sino-Japanese War slump, ignorance, and the inexperience of the Japanese in international trade for what he referred to as the 'bad practices' (*akushūkan*) highlighted by foreigners. Years of focussing on small-scale domestic transactions had promoted customs which, while not indicating venality, were certainly inefficient. These included the wasting of valuable time and the employment of workers who were not really needed. Side by side with this lack of efficiency went far more damaging practices, such as supplying goods inferior to the original sample and renegeing on contracts. Hino was less concerned with the morality of such behaviour, and more with the fact that it provoked uncertainty among purchasers and undermined trust, weakening the foundations of future growth.²⁹

There were those, however, who addressed more directly the issue of ethical practice and moral attitudes among businessmen rather than thinking about immorality mainly as bad business and a source of reputational risk. One unnamed scholar was cited as reiterating the familiar rubric that merchants should cultivate honesty and diligence, and secure respect by engaging in fair dealing and avoiding speculation. He had apparently cited the example of George Moore, a mid-nineteenth century merchant and philanthropist highly estimated by Samuel Smiles, whose *Self-Help* had been translated into Japanese as early as 1870.³⁰ Koyama Kenzō, the principal of the Higher Commercial School (*Kōtō Shōgyō Gakkō*), later to become Hitotsubashi University, attempted to list what he regarded as the principles of commercial morality relating to the conduct of private businessmen. These principles were in many respects very close to the injunctions laid down a century earlier in England in the anonymously penned *Mercantile Morals* discussed in Chap. 2.³¹ Included in these principles were frugality, keeping promises, honesty, diligence, hard work, and dealing with others in an appropriate manner. At the same time, however,

there was a distinct Japanese take. A businessman was enjoined to ensure that there was a distinction between what he did in his main job (*hon'gyō*) and any supplementary activities (*yogyō*), for example, what he wanted to do in his spare time. What was also conspicuous was Koyama's distinction between private virtues (*shitoku*) and public virtues (*kōtoku*). Applying the principle of public virtues to business and commerce, Koyama itemised as important the observation of rules and regulations, and cooperating with others while retaining a spirit of independence. He concluded with the statement: 'In as far as the objective of commerce is to achieve the public benefit of society and not primarily the accumulation of wealth by the individual, then its success should not be judged exclusively by that yardstick.'³²

There were, of course, scholars of economy and business who made no attempt take up the issue even when writing in a language other than Japanese. Tateishi Sajirō, who obtained his doctorate in Halle in 1902, ignored it altogether in his published thesis. His detailed empirical account of trading developments is conspicuous for the absence of any mention of the topic of business ethics.³³ However, the relationship of business with the public good was taken up by other scholars in diverse ways. Kamata Eikichi, an educationalist who would in the 1920s serve as Minister of Education, identified the low standard of morality of Japanese traders as a major source of business uncertainty. It was well established, he stated, that Japanese merchants neither kept their promises nor stuck to agreed timetables. This contrasted strongly with their Chinese counterparts, who, notwithstanding other general failings, adhered strictly to their promises in matters of trade, recognising that bad behaviour was likely to lead to economic losses.³⁴ Ishizaka Kitsuju, who published widely on Japan's agricultural development, and campaigned actively against what he viewed as a disproportionate tax burden on the agricultural sector, questioned the public virtue and sense of civic responsibility of those who thought of themselves as *jitsugyōka* (businessmen). The resistance to paying higher levels of business tax, for example, denoted a failure to consider the needs of society and the country as a whole.³⁵ Significantly, it was the new leaders of modern business, rather than the traditional petty traders, who were here being castigated for their lack of morality. These new leaders had long sought to disassociate themselves from the bad behaviour of smaller commercial actors; so, it becomes particularly important to analyse their response to the Western criticisms.

REPUTATION AND MORAL CODES OF CONDUCT:
RESPONSES FROM THE BUSINESS ELITE AND THE PRESS

It was the activities of leading members of the business elite that were most likely to be detrimentally affected by the foreign criticisms, however unjustified those criticisms might be. As noted above, the Japanese business elite of the late nineteenth and early twentieth centuries came from all social classes, but it did include a number who were of samurai (*bushi*) origin. The importance that many of these commentators attached to values such as honesty, loyalty, and frugality was reflected in widespread calls for a '*bushidō*' for the commercial classes. It was also reflected in their attempts to distinguish large modern businesses from the mass of smaller, more traditional traders and producers, whom they closely identified with more egregious acts of commercial immorality, attributing this to a combination of ignorance, venality, and the contempt in which the merchant class had traditionally been held. The low social status of merchants was important, they believed, because it had produced a situation in which merchants and samurai had sought to cheat on each other, and the consequence had been a general erosion of commercial trust and probity within Japan itself, not unlike that highlighted in Britain some decades earlier. If one Japanese was willing to take advantage of another, the opacity and lack of regulation that characterised international transactions made it even easier for those who wished to engage in deception. It was only, perhaps, the recognition that Japan's own national interest was poorly served by its bad reputation that drove its leaders towards pushing for a higher code of commercial conduct. Japan was far from alone in the pre-First World War period in thinking nationally, and not internationally.

Among the many businessmen who were greatly exercised by the relationship between business practices, business profits, and morality was Shibusawa Eiichi, the doyen of the Japanese business world. Through the early decades of the twentieth century, until his death in 1931, Shibusawa developed a Confucian-influenced philosophy of business ethics, most famously articulated in his 1916 work *Rongō to Soroban (The Analects and the Abacus)*. While Shibusawa felt that the actual term 'commercial morality' was not a helpful one, he nevertheless argued that moral standards, particularly in commerce, had failed to advance at the same pace as material progress, in part due to the traditionally inadequate behaviour of the merchant class.³⁶

Other businessmen, however, began to comment on the issue in advance of Shibusawa's formulating his broader ideas. From the late 1890s, as mentioned earlier, *Jitsugyō no Nihon* mobilised an impressive array of business leaders in support of its campaign, while other parts of the media also contributed a platform for debates on ethical business practice, allowing business to voice its opinions. Business leaders such as Masuda Takashi, the President of Mitsui Bussan (Mitsui Trading), followed statesmen such as Ōkuma in publishing in English, in the hope of communicating the Japanese message to an international audience. In a book on Japanese commerce published in 1908, following a visit to London, Masuda did his best to refute the criticisms of deficient commercial morality, emphasising the changes that had occurred in Japanese commerce and the introduction of a spirit of *bushidō* into Japanese business. He accepted the existence of critics who 'often deplore that the standard of her commercial morality is not high, and regard Japanese merchants as untrustworthy, some critics going so far as to think that transactions with Japanese tradesmen expose Occidentals to danger of fraud', but argued that this reputation was based on past practices that had largely died out. The credit standing of Japanese business, he suggested, was now high. There would everywhere be exceptions, of course, but in the case of Western-Japanese trade the onus was on foreign merchants to choose their counterparts more carefully.³⁷ 'In this generation of universal progress in the world's affairs', Masuda asked, 'who would for a moment believe that even in the Far East success in commerce could be arrived at by fraudulent means?'.³⁸ *The Economist* offered Masuda a further opportunity to reiterate his message directly to his British audience.³⁹ Foreign travel without doubt made business leaders more aware of how the country was viewed by others. Hatano Shōgorō, director of Mitsui Bank, was confronted with complaints about adulterated tea and low-quality *habutae* silk cloth on a visit to Europe and the USA in 1900. Complaints of this kind led him to argue early on that untrustworthy actions on the part of Japanese traders acted as a major factor in limiting supplies of foreign capital to Japan.⁴⁰ Clearly, no leading Japanese business figure visiting Western countries could afford to ignore the issue. However, the opinions expressed in Japanese publications indicate that the discussion was far from being limited to those travelling abroad, and preoccupied a broad swathe of the Japanese business elite.

Sonoda Kōkichi, Director of the 15th Bank, was another early business commentator. Writing in *Jitsugyō no Nihon* in 1900, he argued that Japan should aspire to the Western respect for commercial morality, with

its emphasis on trust and credit and strict adherence to contracts. Trickery and fraud brought only short-term advantage, and improved commercial morality was the key to long-term financial and commercial prosperity. Sonoda called for a focus on high-quality goods and low prices, like Hatano citing as one example of damaging practices the mixing of willow or other leaves with tea leaves destined for export.⁴¹ Another was Asano Sōichirō, founder of one of pre-war Japan's largest business groups, who bewailed the extent to which many businessmen looked to their own immediate profit rather than the long-term interest of the nation. Too many defamed the goods of others, undermined trust, 'and in extreme cases imitate and misappropriate trademarks and export defective goods'. The outcome was that Westerners were more contemptuous of Japanese traders even than they were of the Chinese, and Japan's commercial classes just did not seem to be able to understand the damage that all this was doing.⁴² Some businessmen were more outspoken than others. Arishima Takeshi, Managing Director of the Japan Railway Company, not only identified the widespread mistrust of Japanese traders as a factor inhibiting the inflow of foreign investment, but also argued that low standards of commercial morality were not limited to the minority of Japanese traders. Unlike most of his contemporaries, he believed low ethical standards were a problem across the board, and claimed that many directors of banks and companies had engaged in dishonest management, had circulated false information about their businesses and, thereby, deceived the public or violated contracts for vicarious reasons. 'So-called commercial morality is completely gone', Arishima lamented, 'people of purity and integrity have been disgraced and swindlers and scoundrels have taken over and run wild'. Having such a situation within Japan was bad enough, but was far worse when it involved foreigners who did not know Japanese customs.⁴³ Writing a few years later, the veteran entrepreneur Morimura Ichizaemon, founder of what were to become the Noritake and Toto ceramics businesses, took to the pages of *Jitsugyō no Sekai* (*Business World*) to emphasise that honesty was the best policy.⁴⁴

Increasing comment by Japanese on the business morality issue after the Russo-Japanese War reflected the heightened anxieties articulated by Western commentators around the same time, and the growing complaints about trademark fraud and branding highlighted in the Buchanan whisky case mentioned in the previous chapter. The comments by politicians and business leaders were not so different in content from the earlier ones, but certainly increased in number. The issue of bad ethics being bad

business was the key message articulated by many, in very much the same way as it had been earlier in Western Europe, and this belief was reflected in statements from well beyond the business community. Leading daily newspapers joined in the debate, and were often vocal on the issue. While the conflict with Russia was still ongoing, the *Asahi* warned Japanese selling goods in Korea not to defraud their Korean purchasers through providing them with inferior goods, which jeopardised future trade with the same partners. Trademark fraud caused doubt and uncertainty, it observed, and bad behaviour by the few affected the standing of all. What the paper called a 'lack of regard for commercial morality' was closely associated with the lack of any long-term perspective and excessive focus on short-term gain.⁴⁵ The *Asahi* returned to the same theme in subsequent years, identifying a risk that Japanese commerce was *de facto* being taken over by a band of fraudsters and robbers who sold inferior goods and engaged in other forms of fraud and trickery. What was needed, this paper argued, was not that merchants should possess refined morality or sacrifice themselves totally to the national interest, but that they should focus on their jobs as merchants while retaining their honesty. This would be to their own long-term benefit, and their adherence to commercial morality (*shōgyō dōtoku*) would also contribute to the post-war national development project.⁴⁶ The paper expressed its outrage at the conduct of Japan's trade in China. There were frequent cases of disparities between samples and consigned goods, adulteration of products, and falsification of trademarks. While in one particularly egregious case it was the Chinese agent of an Osaka firm that had copied German trademarks, it was highly reprehensible in both legal and moral terms that the Osaka firm itself had effectively condoned his practices.⁴⁷ Discussing Japanese trade with British India in 1908, the *Yomiuri Shinbun* was equally concerned about the broader impact of cases in which consigned goods failed to live up to the quality of the original sample. Such practices, it stressed, damaged Japan's reputation, undermined trust and credit, and would lead to a decline in sales of Japanese goods. Somewhat disparagingly, it noted that most Japanese merchants selling goods in India were neither particularly high class nor, in many cases, speaking much English, and the fundamental message was that 'Japanese merchants must increasingly give regard to commercial morality'.⁴⁸

Both of these two leading dailies continued to return at regular intervals to the problems caused by the bad reputation of Japanese traders. One article in 1911, for example, noted the damage to Japan's trade

with the USA likely to be done by silk *habutae* shipments not matching up to samples and adulterated tea being rejected. It stated that this was not just a question of loss of profits, but raised serious questions about the moral capacity of the Japanese as a whole. While the problems could be traced back to a time when virtues such as justice and fairness were the prerogative of the *bushi* (warrior) class, commercial morality could not, and should not, be considered separately from moral standards as a whole. The practical implications of low commercial standards in terms of export competition were profound, and the apparent willingness to do almost anything for money was risking the moral status of the nation as a whole.⁴⁹ The historical origins of the problem continued to be debated. On the one hand, it was suggested that the lack of respect for merchants in the Tokugawa period had contributed to their lack of self-worth and inability to adapt to the situation in the ‘new Japan’. On the other, it could be argued that there had existed a certain code of honour between merchants prior to the Restoration, and in that sense there had been a good standard of commercial morality, albeit one that operated along different lines from Western practice. While a Tokugawa merchant might not have been averse to offering what might be seen as bribes to secure a customer, they would never, it was said, have passed off inferior goods as high-quality ones.⁵⁰ The unflattering comparison between Japan and China remained a recurrent theme. The *Asahi* expressed outrage at the behaviour of some merchants from Osaka, noting that ‘in the point of commercial morality we are inferior even to the Chinese’.⁵¹ Not long afterwards, a local correspondent in China for *Jitsugyō no Sekai* emphasised how Chinese merchants laid an enormous emphasis on trust, while Japanese merchants had the reputation of being rude and unwelcoming to their customers.⁵²

The advent of the First World War, which after initial dislocation brought a significant boom to Japan’s economy, provided a new arena for discussion of ethical business practice, probing in particular the relationship between business ethics and the state of the economy. The outbreak of war was associated with a sharp rise in some prices; in some cases, it was suggested, this was caused by people buying up stocks in the expectation of a quick profit. While this phenomenon, remarked the *Asahi*, might be in line with the commercial spirit, it also fed on people’s fears, and was neither economically nor morally desirable.⁵³ As fears turned to opportunity, however, concerns over Japan’s commercial reputation became more concrete, highlighted in tales of the lengths to which unscrupulous pro-

ducers and traders would go to meet the ever-expanding demand for their products. Examples of adulteration and fraudulent practices were said to be widespread, leading to an extreme loss of trust (*hijō na fushin'yō*). Shipments of bonito shavings (*katsuobushi*) were reported as being adulterated with wood shavings, while many consignments of *habutae* could not be used due to their poor quality. In another case, a large consignment of Japanese lacquerware proved totally unusable because the wood had been insufficiently dried. Waste threads were intermingled with high-quality thread and the quality of shell buttons lacked any consistency. The *Asahi* explained the situation largely with reference to Japan's level of economic development. Many of those who handled the goods had an inadequate knowledge of the best way to treat those goods. The delayed development of large factories and dependence on numerous small manufacturers made it very difficult to sustain consistent high quality. The paper also accused those involved of insufficient regard for the national interest and a failure to consider the international situation. Explanation of itself, however, was likely to do little in the way of addressing a situation that was potentially disastrous for the export trade, and was essentially due to a 'deficiency of commercial morality'.⁵⁴ Instances of dishonesty, both in international trade and within Japan itself, continued to be reported and debated during the course of the war.

Even after the war had ended in 1918, the *Yomiuri* and the *Asahi* continued to bemoan the extent to which Japan's international reputation for low levels of business morality was sadly unchanged. In fact, in some ways, the Japanese reports almost seem to suggest that the wartime trade expansion might have further lowered foreign perceptions of Japan's commercial morality. They cited instances in which Japanese traders had broken their contracts, particularly in relation to orders from the USA, and both of these papers noted that the reputation of Japanese merchants was said to be worse than that of Jewish merchants.⁵⁵ They complained that the collapse of the wartime boom had generated a wave of renegeing on contracts, and associated litigation, a situation symptomatic of the lax approach to commercial morality associated with the rise of the *narikin* (*nouveaux riches*) during the war. The war period, in short, had brought in a lot of new business actors who did not know how to behave. High standards of business ethics, the *Asahi* moralised, were equally important in times of peace and in times of war, whether or not they led to loss of profits.⁵⁶ Certainly, there is evidence that supports the paper's view that the wartime boom had given rise in Japanese businesses across the board

to lack of experience, and that newly made fortunes as well as intentional fraud had generated inappropriate behaviour, both in international commercial relations and within the domestic economy. While the balance of inexperience and improper conduct could be debated, though, the core point was clear: the borderline between immoral and illegal behaviour was highly problematic for the Japanese side, just as it had been for the British, but whatever the case the outcome was undesirable.⁵⁷

As the post-war slump really began to hit hard, further instances of fraud were reported in the Japanese press, often supported by statements in Japanese consular reports from across the world. Chapter and verse were cited, such as a failure to honour a contract for wool with an English trader, and a delay in refunding his deposit, or a failure to deliver on a contract for silk cloth in Mexico. The most crucial thing in international trade, argued one article, was to be able to have confidence in one's trading partner, and if the Japanese could not be trusted, then this would be a major impediment to the growth of Japan's trade.⁵⁸ How the debate fluctuated in response to the considerable ups and downs of the Japanese economy in the 1920s and 1930s is unclear, but the evidence does suggest that concern about the country's commercial reputation persisted in Japan through the interwar years. We find that as late as 1938, for example, a group of economic organisations in Osaka met to consider complaints from Germany about Japan's low commercial morality, and the country's shameless copying of German designs and products.⁵⁹ We can be clear, however, that the fundamental message remained largely unchanged. Rather than being blinded by the issue of immediate profit, Japanese commercial actors had to think of the longer-term individual and collective advantages that stemmed from honesty.

THE WESTERN YARDSTICK

It is apparent from the account above that the debates and comments in Japan in many respects resonated with those that had evolved in the Western industrialising economies from the first half of the nineteenth century. Participants in the debates found it difficult to draw the borderline between what was illegal and what was immoral. Although the term 'commercial morality' (*shōgyō dōtoku*) was widely used, its content could be debated, and for many it could not be separated from broader issues of morality as a whole. There was a level of shared agreement on the practices that constituted a breach of commercial morality, namely breach-

ing of contracts, the supply of poor quality or inappropriate goods, and branding and trademark fraud. Overwhelmingly, the reasons that were articulated for improving the level of ethics in business amounted to the argument that there was a link between good individual business practice, long-term profit, and greater national prosperity. There were, of course, some differences in explanation and justification, but the similarities are clear evidence of the emergence of a transnational discourse on standards of business practice. An integral part of that international discourse was also its articulation of a Western-centric international hierarchy of business morality, in which moral standards were deemed to rise as the industrial economy developed and a country progressed towards 'civilisation'. We must, therefore, consider the extent to which this dimension of the debate, too, was taken up by the Japanese.

We have already noted how a number of Japanese commentators compared Japanese levels of commercial morality unfavourably with those of the Chinese, as did their Western counterparts. This was indicative of what often seems like a wider acceptance of the basic assumptions behind the idea of some kind of commercial morality hierarchy, an acceptance that went beyond any simple acknowledgement that the problems were caused by the historical position of merchants in Japan and the ignorance of Japanese about international trade in the second half of the nineteenth century. We find commentators identifying the clash of cultures, which was an inevitable factor in international misunderstandings, but we also find them comparing Japanese commerce unfavourably with that of other countries, and speaking in terms of the trajectory towards civilisation, in which Japan, as Takahashi Korekiyo put it, was as yet an 'infant' country.⁶⁰ The ultimate models, therefore, became Britain and other industrialised economies. Hino Sukehide, who was mentioned earlier, thought that the traditional contempt for commerce had to be counteracted by looking at the only available models for a business revolution (*jitsugyō kakumei*), namely the European countries and the USA. The British industrial revolution, he suggested, relied not only on the new technologies devised by engineers such as James Watt and Richard Arkwright, but on economic ideas such as those of Adam Smith.⁶¹ English merchants, wrote the editors of *Jitsugyō no Nihon*, were 'renowned throughout the world for their integrity'.⁶² The key characteristics of merchants in countries such as Britain, the USA, and Germany were identified as a sense of honour, dignity, and cooperation, and Japan needed to develop a merchant code equivalent to that of the *bushidō* of the warrior class, or the English gen-

tleman, 'by looking to the peoples of Europe and America'.⁶³ Japanese merchants at their worst lacked any nobility of character, or any sense of gentlemanly honour, reliability and integrity, instead seeking to obtain unfair profit by unjust means. By contrast, in the West businessmen were the foundation of the country and the core of society, whose commercial success was founded upon the fact that they sought to act like gentlemen, and with openness.⁶⁴ Kamata Eikichi, who was mentioned earlier, in 1908 also held up England as a model of how commerce should be conducted.⁶⁵ Japan was 'backward' in terms of science and knowledge compared with the West, and the commercial morality difficulties were part of this relative backwardness.⁶⁶ The *Asahi* suggested around the same time that given where Japan was coming from, Japanese merchants could not be expected to have attained the steadiness that characterised the English merchant.⁶⁷ 'It goes without saying', wrote an editorial statement in the *Yomiuri*, 'that in Europe and North America by comparison with other areas of morality the reason that commercial morality has progressed to an exceptional degree is its close relationship to actual profit'.⁶⁸ Ōura Kanetake, the Minister of Agriculture and Commerce, returning from a trip to Europe, was reported as citing England as a model for high-quality products,⁶⁹ in strong contrast to Japan. Suzuki Kentarō of the Teiyu Ethical Association was reported as claiming that 'general moral elevation [of the kind found in Britain] is the only thing that can effect the much needed improvement of commercial morality in Japan'.⁷⁰

In this aspect of the discourse too, therefore, it seems as though Japan was willing to accept the Western view. A number of reasons may be suggested for this. Some members of the Japanese elite, of course, had been educated in the West, while many others had been exposed at first hand to Western ideas and had frequent interaction with non-Japanese. They had witnessed for themselves the disparities between the level of economic development in Western industrial nations and their own. The Western model had been a powerful arbiter of 'progress' since the early Meiji period. At the bottom, though, it seems likely that most Japanese participants in the discussion were driven by a strong sense of pragmatism. While they may not have wholeheartedly subscribed to the Western-centric view of progress, at the very least it seems likely that they were sufficiently realistic to realise that a small player in the international world such as Japan had little choice but to play by the Western-imposed rules of the game, at least for the time being. Ōkuma Shigenobu's discussion of commercial morality in the *Encyclopaedia Britannica* of 1911 was contextualised in

Japan's desire to be recognised as a Great Power and to achieve equality with Western nations.⁷¹ The Japanese recognised that bad behaviour by a conspicuous few had major implications for Japanese commerce more broadly, and was, in effect, damaging to Japan's business and the national interest.

There were also, of course, those who highlighted a further dimension of this relationship between ethical business practice, individual profits, and the wider interest. This was the relationship between private profit and public benefit, which could be conceived simply as the national interest, but could also embrace different concepts of 'public' which might, or might not, pertain to the interest of the nation. For some, like Shibusawa Eiichi, this distanced the discourse from a focus on ethics in the actual conduct of business, moving it into the broader realm of the morals of moneymaking *per se*, and what was done with the profits acquired through business success. These attempts to articulate an alternative framework for the relationship between business activity and morality in non-Western and developing economies were of ongoing importance, and remain so, but it was the more pragmatic concerns that stimulated the policy response by the Japanese elite that will be described in the final section of this chapter.

TAKING CONCRETE MEASURES: COMMERCIAL EDUCATION, THE STATE, AND BUSINESS

The Japanese side, therefore, appears to have accepted that the Western criticisms had a firm grounding in reality, even though they might have disputed the extent to which any failings extended to more than a small minority. Japan's leaders also fully acknowledged the reputational damage that had resulted. We need to ask, therefore, what strategies, if any, were adopted to try and address the problems that had been identified. We find that there was considerable doubt about whether concrete actions could be effective in generating rapid improvements, with many observers suggesting that Japan's abandoning of traditional ways of doing things and its acculturation to international business practices was bound to take time. Nevertheless, it is possible to identify three main ways in which Japan's elite prior to the 1930s sought to encourage what were deemed to be more moral ways of conducting business. One strand was a push to develop commercial education, within which aspirant entrepreneurs and

businessmen would be formally exposed to training in how to conduct business in an appropriate manner. The second strand consisted of both formal and informal efforts by the state to promote good practice. Thirdly, there were efforts by the business community itself to improve Japan's image as a country that engaged in fair commercial dealing. Each of these will be considered in turn.

Commercial education embracing an element of moral consideration was not new to Meiji Japan. The eighteenth-century Confucian scholar Ishida Baigan gave thought to the moral standing of merchants in light of Confucian views of the immorality of making profits. From the early eighteenth century, the Kaitokudō merchant academy in Osaka sought to focus its discussions on the moral education of merchants.⁷² Fukuzawa Yukichi's Keiō Gijuku (now Keiō University) emphasised the training of elite businessmen from the early Meiji period, while the first modern business college was established in the 1870s by the later education minister Mori Arinori; it subsequently became the Tokyo Higher Commercial School and eventually Hitotsubashi University.⁷³ By the turn of the century, when the Western criticisms of Japanese commercial morality were becoming particularly vocal, there were already a number of organisations through which instruction in business ethics might be offered to students of commerce and business, and the British Legation in Tokyo thought them sufficiently important to warrant a dedicated report to London.⁷⁴ Koyama Kenzō, whose views were mentioned earlier in this chapter, introduced tuition in commercial morality during his tenure as principal of the Higher Commercial School in the late 1890s.⁷⁵ Shibusawa Eiichi was among members of the business elite who lectured with some frequency at the Higher Commercial School, including on issues of business ethics.⁷⁶ Nakajima Rikizō, professor of Western philosophy at the Imperial University, gave a number of lectures at the Higher Commercial School, which he then published in the hope of contributing to an improvement in Japanese commercial morality.⁷⁷ Perhaps because of his training in Western philosophy, the content of Nakajima's lectures suggests he was strongly influenced by the Western debates on commercial morality. He highlighted the virtues that he believed were required for the administration and management of commerce, noting that Confucius had also emphasised the fundamental importance of honesty and truth.⁷⁸ He also recognised that the existence of credit was crucial to the operation of the modern economy, and that efficient credit systems could not exist in the absence of the strong element of trust that only integrity could generate.⁷⁹ In line with the spirit of

the time, he emphasised the need for merchants to have regard to the public interest (*kōkyōshin*), regarding that too as a core element in the training of young people aspiring to the world of business and commerce. It was to the issue of *kōkyōshin* among the commercial classes that the fourth chapter of the book was wholly devoted.⁸⁰ Another lecturer on commercial morality at the Higher Commercial School was George Trumbull Ladd, an American Congregationalist minister and professor of moral philosophy at Yale. Ladd's lectures, which focussed on morality in general rather than purely on morality in commerce (of which he himself had limited experience), were subsequently published in Japanese.⁸¹

Business ethics lectures continued to have a core place in Japan, both in commercial and vocational schools, and through open lectures for the public.⁸² Widely read textbooks on business and commerce invariably included comments on the issue of commercial morality. Ishikawa Bungo, who published a series of lectures on commerce in the 1920s, highlighted the need to locate commerce within a broader framework of morality; he also called for traders to think not only of their own interests, but also of those of their direct trading partners and the broader world of commerce. In this, he stated, lay the true essence of commercial morality.⁸³ Those involved in commercial education were for the most part more concerned with education than advocacy, although, as might be expected, some of their comments on the contribution of commerce to the broader good were coloured by the changing political environment of the inter-war period. One 1930s writer even laid down the potential for Japanese commercial morality to serve as the foundation of a future globalised commercial morality.⁸⁴ Such a possibility would have seemed improbable to many contemporaries in Japan, but was perhaps not totally without foundation. The *Asahi* reported in 1929, shortly after the Wall Street crash, that a school text written to try and counteract the low status and poor reputation of Japanese merchants was being translated into English with a view to its distribution in Britain.⁸⁵ In many respects, though, the message remained largely unchanged. The emphasis on the historical origins of inadequate merchant behaviour and morality was still there, as was the equation of individual morality with long-term profit and the public interest.⁸⁶

In the case of the government, the response came in part through attempts at legislative change. Ōkuma Shigenobu was able to assure his readers that Japan had been vigorously enacting and enforcing laws against patent and trademark fraud.⁸⁷ Calls for the government to tighten up on

inspection of company accounts and goods were discussed in the Diet.⁸⁸ Travelling abroad in 1910 the Minister of Agriculture and Commerce, Ōura Kanetake, was exposed at first hand to the complaints from cities such as Lyon, and was compelled to think about how best to improve the standards of commercial morality among Japanese traders. He was said to have ‘declared that he was ashamed of the practices of Japanese merchants exporting *habutae* to France, and said he found complaints almost everywhere he went about the risk of trading in Japanese goods’.⁸⁹ Apart from general attempts to improve ethical standards, he indicated to silk producers in Gunma Prefecture that this meant much stricter inspection of goods by the local industry union.⁹⁰ Legislation and regulation, however, were themselves often flawed. One newspaper comment in 1911 noted that in Japan legislation relating to relations with customers embraced moral issues, but legislation relating to the quality of goods and the selling of goods completely lacked such a dimension.⁹¹

As in the Western industrial economies, legislation inevitably developed in arrears of economic change and the complexity of commercial dealings. Although a Commercial Code was established in Japan in 1897, it had relatively little to say about the minutiae of day-to-day dealings, and the mass of so-called ‘petty traders’ with small amounts of capital were excluded from most of its provisions. Most, we can surmise, carried on their activities just as before in ignorance of the legislative changes that had been introduced. The legal situation was further complicated first by the ambiguous legal provision in the treaty ports which, as we have seen, was exploited by groups and individuals for their own benefit and, second, by the differing characteristics of domestic and foreign law, and the absence of an agreed legal standard in many areas of economic transactions, particularly in third markets.⁹²

The holding of industrial exhibitions, while primarily intended to showcase Japanese products, also had a role to play in introducing foreigners to Japan and its customs, and in trying to counteract the negative attitudes held by some in relation to Japanese economic activity. *Jitsugyō no Nihon* argued in 1902 that the Fifth Industrial Exhibition would bring more visitors to Japan, and the way that Japan dealt with these foreigners was a manifestation of the progress of the country. Japan had to do more to treat foreigners with courtesy and provide for their needs appropriately.⁹³ Participation in exhibitions overseas, embracing not only world fairs such as the Columbian Exposition held in Chicago in 1893, but also more targeted events such as the Japan–British Exhibition

of 1910, were important ways in which the government sought to enhance Japan's overseas image as well as its export trade.⁹⁴

For much of the time, though, policy-makers appear to have held to *The Economist's* view that 'you cannot instil commercial morality, or make people honest',⁹⁵ and contented themselves with talking up the level of Japanese commercial morality, issuing injunctions to good practice and mobilising local business interests in the drive for higher standards. Minister Ōura seems to have been unusual in terms of his willingness to try and back up statements with action of this kind, but he was not unique. His predecessor as Minister, Matsuoka Yasutake, addressed a conference of prefectural governors early in 1908, emphasising the need for collaborative action and solidarity on the part of trade and industry associations in maintaining the quality of export products, and ensuring that the commercial property rights of others were protected.⁹⁶ The following year, Ōura backed up Matsuoka's injunctions by circulating local chambers of commerce about the need for good commercial ethics:

Merchants and manufacturers are liable to sacrifice the interests of others for the sake of their own temporary gain.... It is to be profoundly regretted for the future of our industries that not a few have imitated or stolen inventions, trade marks, and other industrial rights. Foreign trade marks and trade names have also been abused, and victims have from time to time applied to the authorities for redress.... Any act resembling dishonesty or fraud is highly detrimental to our commercial credit.... It is to be hoped that merchants and manufacturers will try to bring about prosperity by honourable means.⁹⁷

It is this reliance on less formal measures and the perceived gap between rhetoric and action that confirmed to many outside Japan that 'a great many speeches will have to be delivered before Japanese trade marks become valued abroad'.⁹⁸

For its part, the business community, while arguing that improvement had taken place, that big business met the highest standards of behaviour, and that bad behaviour was limited to a few, nevertheless sought to counter the criticisms by a range of means. From the 1890s onwards, representatives of the business community called for cooperative strategies and collective efforts to improve the domestic and international reputation of Japanese merchants and producers. Business missions abroad were a

means both of ascertaining the extent of the problem, and also of responding to it *in situ*. A number of missions of this kind, headed by some of Japan's leading entrepreneurs, travelled to North America and Europe from the 1890s. Shibusawa Eiichi led one mission, which spent some three months visiting locations across the USA in 1909.⁹⁹ As one paper remarked, the members of such delegations might not like being on the receiving end of the criticisms of deficient commercial morality, but they had to acknowledge the root of the problem and take responsibility for addressing the issue.¹⁰⁰ At the end of the day, though, many of the delegations could do little more than listen to the appeals of the injured parties and state their commitment to addressing the problems. The experience of the fifty-strong trade delegation led by Dan Takuma, the director-general of Mitsui, to North America and Europe in 1921–1922 was typical. Confronted by striking evidence of Japanese trademark infringements, and appeals to the delegation to use its influence to reduce the practice,¹⁰¹ Dan and his colleagues could promise little more than their total commitment to improve the situation:

This mission is conscious that it has a duty to perform in assuring you business men of England that we do not in any way condone the lack of commercial morality on the part of some of our countrymen. No country is free from dishonest persons, and doubtless there have been many cases where the desire to make profits quickly though not by honest means has injured our credit abroad. We personally wish to assure you that our high aim and ambition is to emulate our foreign friends in the scrupulous observance of international commercial morality and to discourage, and help by improved legislation where necessary, cases of dishonesty among our countrymen.¹⁰²

It appeared, however, that injunctions to good practice, whoever they came from, had their limitations. The media remained sceptical of government statements about the need for a new commercial morality strategy such as that articulated by Minister Ōura in 1910.¹⁰³ As we have seen, complaints from Westerners about lax commercial morality on the part of Japanese continued. It seemed that the boom in the Japanese economy consequent on the First World War encouraged traders to cut corners, while the slump after its ending had a similar effect, inducing them to break contracts. Accusations of fraudulent practice in relation to the quality of goods, and, in particular, property rights and trademark theft, continued for much of the interwar period, and fed into the rather different charges

of unfair competition that characterised Japan's economic relations with countries such as Britain and the USA in the 1930s. Although the term 'commercial morality' itself went out of fashion, that low reputation for commercial morality persisted into the post-Second World War years.

NOTES

1. These debates go back to the appearance of works such as Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan* (Cambridge, MA: Harvard University Press, 1964) and Kozo Yamamura, *A Study of Samurai Income and Entrepreneurship: Quantitative Analyses of Economic and Social Aspects of the Samurai in Tokugawa and Meiji Japan* (Cambridge, MA: Harvard University Press, 1974). For a more recent evaluation of Japan's modern business history, see M. Miyamoto, T. Abe, M. Udagawa, M. Sawai, and T. Kikkawa (eds.), *Nihon Keiei Shi—Edo Jidai kara 21 Seiki e—Shinpan* (Tokyo: Yūhikaku, 2007).
2. 'Kongo no Ninjō', *Yomiuri Shinbun*, 1/10/1885.
3. 'Miseakinai no kōsetsu', *Yomiuri Shinbun*, 11/12/1885.
4. 'Japan—Commercial Morality', *Economist*, 24/12/1910, p. 1298.
5. Arakawa Minoji, 'Kaigai Bōeki Fushin no Gen'in oyobi Shinsaku no Hōhō', *Jitsugyō no Nihon* 1, no. 5 (1897), pp. 10–11.
6. 'Shōkōgyōsha no Mōsei o Motomu', *Jitsugyō no Nihon* 1, no. 15 (1897), p. 1.
7. 'Gaikoku Bōeki Shinchō Ron (ge)', *Jitsugyō no Nihon* 1, no. 6 (1897), pp. 7–8.
8. Arakawa Minoji, 'Kaigai Bōeki Fushin no Gen'in oyobi Shinsaku no Hōhō', *Jitsugyō no Nihon* 1, no. 5 (1897), p. 11.
9. 'Shōkōgyōsha no Mōsei o Motomu', *Jitsugyō no Nihon* 1, no. 15 (1897), p. 1.
10. 'Konnichi Jitsugyōka no Torubeki Taido', *Jitsugyō no Nihon* 3, no. 9 (May 1899), p. 3.
11. 'Shōkōgyōsha no Mōsei o Motomu', *Jitsugyō no Nihon* 1, no. 15 (1897), p. 2.
12. 'Shōkōgyōsha no Mōsei o Motomu', *Jitsugyō no Nihon* 1, no. 15 (1897), pp. 2–3.
13. Great Britain, British Parliamentary Papers, *Commercial and Consular Reports, Japan*, vol. 10 (Shannon: Irish University Press, 1971), Misc. Series no. 502, A.H. Lay, Assistant Japanese Secretary at Tokyo, 'Report on Commercial Education in Japan', received 3 April 1899, p. 15 (477).
14. 'Kōtoku no Yōsei ni tsuite—waga Keizaikai ni Nozomu', *Yomiuri Shinbun*, 6/01/1901.

15. Silk fabric that was becoming an important export item from the 1890s.
16. 'Kōtoku no Yōsei ni tsuite—waga Keizaikai ni Nozomu', *Yomiuri Shinbun*, 6/01/1901.
17. 'Kōtoku no Yōsei ni tsuite—waga Keizaikai ni Nozomu', *Yomiuri Shinbun*, 6/01/1901. The use of the same Japanese word, *shin'yō*, to translate both trust and credit in this period on occasions gives rise to some ambiguity. In this article, however, it is clear that the term is referring broadly to the presence or absence of trust.
18. Arakawa Minoji, 'Kokumin Hin'i no Jōshin', *Jitsugyō no Nihon* 6 (1902), pp. 7–8.
19. Katō Takaaki, 'Gaikoku Bōekijō no Shōgai', *Jitsugyō no Nihon* 4, no. 15 (1900), p. 5.
20. Katō Takaaki, 'Gaikoku Bōekijō no Shōgai', *Jitsugyō no Nihon* 4, no. 15 (1900), pp. 5–6.
21. E.g. 'Japan—Commercial Morality', *Economist*, 24/12/1910, p. 1298.
22. Ōkuma presided over the publication of two volumes on Japan to commemorate the opening of the treaty ports (Shigenobu Okuma, *Fifty Years of New Japan* (London: Smith Elder, 1909–1910)).
23. A Japanese Statesman, 'The Claim of Japan', *Encyclopaedia Britannica*, 11th ed., vol. 11 (Cambridge: Cambridge University Press, 1911), pp. 273–275. Ōkuma is listed as the author in the back of the volume.
24. Yetaro Kinoshita, *The Past and Present of Japanese Commerce* (Studies in History, Economics and Public Law XVI, I; New York: Columbia University Press, 1902), esp. pp. 151–159.
25. Yukimasa Hattori, *The Foreign Commerce of Japan since the Restoration 1869–1900* (Johns Hopkins Studies in Historical and Political Science; Baltimore: The Johns Hopkins Press, 1904), pp. 28–29, 49.
26. Hattori, *The Foreign Commerce of Japan since the Restoration*, p. 30.
27. Iida Hatarō, 'Kaigai Bōeki to Shin'yō Jō', *Jitsugyō no Nihon* 3, no. 4 (Feb. 1899), pp. 4–6.
28. Hino Sukehide, 'Jitsugyō Kakumei no Jiki o Ronjite Keizai Shisō Fukyū no Hōsaku ni oyobu', Pt. 1, *Jitsugyō no Nihon* 1, no. 12 (1897), pp. 19–22.
29. Hino Sukehide, 'Jitsugyō Kakumei no Jiki o Ronjite Keizai Shisō Fukyū no Hōsaku ni oyobu', Pt. 2, *Jitsugyō no Nihon* 1, no. 11 (1897), pp. 13–15.
30. 'Shōnin Rissshin Chifū no Michi', *Jitsugyō no Nihon* 2, no. 9 (1898). See also Samuel Smiles, *George Moore, Merchant and Philanthropist* (London: George Routledge & Sons, 1879).
31. Anon., *Mercantile Morals: A Book for Young Men Entering upon the Duties of Active Life*.

32. Koyama Kenzō, ‘Shōgyō Dōtoku Kōryō’, *Jitsugyō no Nihon* 1, no. 13 (1897), pp. 10–12, quotation from p. 12. Koyama was responsible for establishing classes in commercial morality at the Higher Commercial School, discussed later in this chapter.
33. Saijō Tateishi, *Japans Internationale Handelsbeziehungen, mit besonderer Berücksichtigung der Gegenwart* (Halle: Hofbuchdruckerei von C.A. Kaemmerer and Col., 1902).
34. Kamata Eikichi, ‘Wagakuni no Shōgyō Dōtoku o Takamuru Saizen Sairyō Saku’, *Jitsugyō no Sekai* 5, no. 1 (May 1908), pp. 22–24.
35. Ishizaka Kitsuju, ‘Iwayuru Kitsugyōka no Botsu Kōtoku’, *Jitsugyō no Nihon* 1, no. 14 (1897), pp. 17–20. Pro-agriculture arguments of the kind put forward by Ishizaka were a characteristic of the so-called *nōhonshugi* movement of the early twentieth century. For *nōhonshugi* see Iwasaki Masaya, *Nōhon Shisō no Shakai Shi* (Kyoto: Kyoto University Press, 1997); Takeda Kyōji, *Nihon Nōhonshugi no Kōzō* (Tokyo: Sōjunsha, 1999).
36. Shibusawa Eiichi, *Seien Hyakuwa* (repr. Tokyo: Dōbunkan, 1926), pp. 63–64. For more on Shibusawa’s approach to commercial morality, see my chapter ‘Kōseina Shudan de Tomi o Eru: Kigyō Dōtoku to Shibusawa Eiichi’, in Patrick Fridenson and Takeo Kikkawa (eds.), *Gurōbaru Shihonshugi no naka no Shibusawa Eiichi: Gappōn Kyapitarizumu to Moraru* (Tokyo: Tōyō Keizai Shinpōsha, 2014). There are numerous works on Shibusawa’s life and career, but for a recent analysis see Shimada Masakazu, *Shibusawa Eiichi—Shakai Kigyōka no Senkusba* (Tokyo: Iwanami Shinsho, 2011).
37. Takashi Masuda, *Japan: Its Commercial Development and Prospects* (London: Sisleys Ltd., 1908), pp. 20, 39–40, 125. Quotation from p. 125.
38. Masuda, *Japan: Its Commercial Development and Prospects*, p. 126.
39. Takashi Masuda, ‘Japan’s Commercial Expansion—II’, *The Economist*, 14/01/1908, p. 11.
40. Hatano Shōgorō, ‘Naze ni Gaishi Korazaruya’, *Jitsugyō no Nihon* 4, no. 19 (Oct. 1900), pp. 8–9.
41. Sonoda Kōkichi, ‘Shōgyō Dōtoku Yōsei no Hitsuyō’, *Jitsugyō no Nihon* 4, no. 1 (Jan. 1900), pp. 17–20.
42. Asano Sōichirō, ‘Kaigai Bōeki Kakuchō Saku’, *Jitsugyō no Nihon* 4, no. 22 (Nov. 1900), p. 6. The article refers to Asano as President of Tōyō Shipping Company (*Tōyō Kisen*), but his interests had already spread from his starting point in cement production to embrace a range of business activities.
43. Arishima Takeshi, ‘Zaikai no Konponteki Byōhei o’, *Jitsugyō no Nihon* 4, no. 17 (Sep. 1900), p. 6.

44. Morimura Ichizaemon, 'Gyōdōtoku no Kaizen wa Daiyoku o Kosui suru ni Kagiru', *Jitsugyō no Sekai* 5, no. 3 (June 1908), pp. 31–37.
45. 'Kankoku Naichi Gyōshō Kyōshō Chūi', *Asahi Shinbun* (Tokyo edition), no. 6478, 5/08/1904.
46. 'Tsutome yoya Shōnin' (leader), *Asahi Shinbun* (Osaka edition), no. 8827, 18/10/1906.
47. 'Ōsaka Shōnin no Meimu' (leader), *Asahi Shinbun* (Osaka edition), no. 9235, 30/11/1907.
48. 'Torihiki Kyozeitsu Shinsō', *Yomiuri Shinbun*, 28/06/1908.
49. 'Kōgyō Dōtoku o Ikan?', *Yomiuri Shinbun*, 5/05/1911.
50. 'Nihon Shōdō Bidan (2)', *Asahi Shinbun* (Tokyo edition), no. 8766, 5/01/1911.
51. 'Ōsaka Shōnin no Meimu' (leader), *Asahi Shinbun* (Osaka edition), no. 9235, 30/11/1907.
52. Hō Risei, 'Zannen nagara Nihonjin wa Shinjin yori Shōbai ga Kaku no gotoku Heta de Katsu Sai nai', *Jitsugyō no Sekai* 7, no. 7 (Apr. 1910), pp. 46–48.
53. 'Senji ni okeru Shōgyō Dōtoku', *Asahi Shinbun* (Osaka edition), no. 11685, 25/08/1914.
54. 'Nihonjin to Shōgyō Dōtoku', *Asahi Shinbun* (Tokyo edition), no. 10262, 9/02/1915.
55. 'Beijin Hōshō Hinan', *Asahi Shinbun* (Tokyo edition), 19/12/1918; 'Honpō Shōnin Fuhyō', *Yomiuri Shinbun*, 19/12/1918.
56. 'Narikin Jidai no Shakaiteki Ifū', *Asahi Shinbun* (Tokyo edition), 28/04/1919.
57. 'Tai-funanushi Chūi', *Asahi Shinbun* (Tokyo edition), 7/03/1920; 'Zaikai no Kyōkō kara Shinsetsu Kaisha no Futoku', *Asahi Shinbun* (Tokyo edition), 12/09/1920.
58. 'Honpō Bōeki no Shōgai- 9', *Asahi Shinbun* (Tokyo edition), 25/03/1921.
59. 'Shōgyō Dōtoku Shin no Kan'yō ga Kin'yō', *Yomiuri Shinbun*, 17/07/1938.
60. Takahashi Korekiyo, 'Yushutsunyū Bōeki ni tsuki Tōgyōsha ni Chūi suru', *Jitsugyō no Nihon* 2, no. 5 (1898), p. 8.
61. Hino Sukehide, 'Jitsugyō Kakumei no Jiki o Ronjite Keizai Shisō Fukyū no Hōsaku e ni oyobu', *Jitsugyō no Nihon* 1, no. 12 (1897), pp. 19–20.
62. 'Jitsugyōkai no Kōyatsu', *Jitsugyō no Nihon* 6 (1902), p. 3.
63. 'Waga Jitsugyōka no Hinsei Shūyō', *Jitsugyō no Nihon* 6, no. 15 (Aug. 1902), pp. 1–2.
64. 'Waga Jitsugyōkai yori "Machiai Seiryaku" o Haiseki subeshi', editorial, *Jitsugyō no Nihon* 6, no. 16 (Aug. 1902), pp. 1–2.

65. Kamata Eikichi, 'Wagakuni no Shōgyō Dōtoku o Takamuru Saizen Sairyō Saku', *Jitsugyō no Sekai* 5, no. 1 (May 1908).
66. 'Shuppangyōsha no Tokugi', *Yomiuri Shinbun*, 7/06/1908.
67. 'Shōgyō Dōtoku', *Asahi Shinbun* (Tokyo edition), no. 8315, 11/10/1909.
68. 'Henshūshitsu yori', *Yomiuri Shinbun*, 15/01/1910.
69. 'Nōshō Enzetsu no Enkyō', *Yomiuri Shinbun*, 15/12/1910.
70. 'Japan—Commercial Morality', *The Economist*, 27/04/1912, p. 911. The Teiyu Ethical Association was founded in the 1890s by a mixed group of Buddhists, Christians, and social liberals with a view to combatting sectarianism.
71. Ōkuma Shigenobu ('A Japanese Statesman'), 'The Claim of Japan', pp. 273–275.
72. Tetsuo Najita, *Visions of Virtue in Tokugawa Japan: The Kaitokudo Merchant Academy of Osaka* (Honolulu: University of Hawai'i Press, 1987).
73. Makoto Ikema, Yoshio Inoue, Tamotsu Nishizawa, and Susumu Yamauchi, *Hitotsubashi University, 1875–2000: A Hundred and Twenty-Five Years of Higher Education in Japan* (Basingstoke, Hants: Macmillan, 2000).
74. Misc. Series no. 502, 'Report on Commercial Education in Japan' by Mr. A.H. Lay, Assistant Japanese Secretary at Tokyo, received 3 April 1899, reproduced in Great Britain, British Parliamentary Papers, *Commercial and Consular Reports, Japan*, vol. 10 (Shannon: Irish University Press, 1971), p. 15.
75. Ikema et al., *Hitotsubashi University, 1875–2000*, pp. 49–54.
76. Tanaka Kazuhiro, 'Dōtoku Keizai Gōitsusetsu no Shin'ī', in T. Kikkawa and M. Shimada (eds.), *Shibusawa Eiichi To Hitozukuri* (Tokyo: Yūhikaku, 2013), pp. 55ff.
77. Nakajima Rikizō (ed. Dōbunkan Henshūbu), *Shōgyō Dōtoku Kyōkasho* (Tokyo: Dōbunkan, 1901).
78. Nakajima, *Shōgyō Dōtoku Kyōkasho*, p. 5.
79. Nakajima, *Shōgyō Dōtoku Kyōkasho*, pp. 1–11.
80. Nakajima, *Shōgyō Dōtoku Kyōkasho*, p. 12. For a slightly longer comment on Nakajima, and also on G.T. Ladd, considered below, see Hunter, 'Kōsei na Shudan de Tomi o Eru'.
81. G.T. Ladd (trans. Moriya Tsunetarō), *Shōgyō Dōtoku—Lectures of G.T. Ladd* (Tokyo: Tōkyō Kōtō Shōgyō Gakkō and Hakubunkan, 1907).
82. See e.g. *Tōkyō Asahi Shinbun*, 7/05/1913.
83. Ishikawa Bungo, *Shōgyō Jūnikō* (Tokyo: Iwanami Shoten, 1926).

84. Arima Hiromasa, 'Shōgyō Dōtoku', in Nihon Rekishi Chiri Gakkai (ed.), *Nihon Shōnin Shi* (Tokyo: Nihon Gakujutsu Fukyūkai, 1935, repr. 1939), pp. 371–372.
85. 'Nihon Saiko no Shōgakkō no Shōgyō Dokuhon o Igiruse e', *Asahi Shinbun* (Tokyo edition), 15/11/1929.
86. See e.g. A.F. Thomas and Soji Koyama, *Commercial History of Japan* (Yuhodo: Tokyo, 1936), pp. 57–58.
87. Okuma Shigenobu ('A Japanese Statesman'), 'The Claim of Japan', p. 274.
88. 'Shōgyō Kaisha Kansa Hōan', *Yomiuri Shinbun*, 16/04/1909.
89. 'Japan—Commercial Morality', *The Economist*, 24/12/1910, p. 1298. As might be expected, complaints from producers in Lyon focussed on problems in relation to Japanese silk products.
90. 'Nōshō no Shisatsu Dan', *Yomiuri Shinbun*, 5/09/1910; 'Ōura Nōshō no Enzetsu', *Yomiuri Shinbun*, 20/9/1910.
91. 'Nihon Shōdō Bidan', *Asahi Shinbun*, no. 8766, 5/01/1911.
92. For an overview of the development of Japanese law relating to commerce and intellectual property rights, see chapters 4–5 of Wilhelm Röhl (ed.), *History of Law in Japan since 1868* (Leiden and Boston, MA: Brill, 2005).
93. 'Gaijin o Yūtai Subeshi', *Jitsugyō no Nihon* 6, no. 6 (Mar. 1902), p. 1.
94. For the Japan–British Exhibition, see Ayako Hotta-Lister, *The Japan-British Exhibition of 1910* (London: Routledge, 1999). For Japan's involvement in international exhibitions in the Meiji period, see Itō Mamiko, *Meiji Nihon to Bankoku Hakurankai* (Tokyo: Yoshikawa Kōbunkan, 2008).
95. *The Economist*, 8/02/1896, p. 167.
96. 'Matsuoka Nōshō no Kunji', *Asahi Shinbun* (Tokyo edition) 7773, 14/04/1908.
97. Circular translated in 'Commercial Morality in Japan—An Official Appeal', *Manchester Guardian*, 26/01/1909.
98. 'Financial and Commercial Position in Japan', *The Economist*, 29/11/1913, p. 1175.
99. Shibusawa Eiichi Kinen Zaidan (ed.), *Shibusawa Eiichi o Shiru Jiten* (Tokyo: Tōkyōdō Shuppan, 2012), p. 83.
100. 'Shōgyō Dōtoku', *Asahi Shinbun* (Tokyo edition), no. 8315, 11/10/1909.
101. 'Japanese Mission at Sheffield', *Manchester Guardian*, 7/01/1922.
102. 'Japanese Trade Mission', *Manchester Guardian*, 21/12/1921.
103. 'Bushidō to Shōnin', *Yomiuri Shinbun*, 22/12/1910.

Conclusion

Abstract The study as a whole demonstrates that debates over the morality of day-to-day business conduct have strong historical roots, and that the case of Japan has significant contemporary relevance. Complaints fuelled by cultural difference, the absence of an accepted international standard, and legislative deficiencies, were also a manifestation of the fear of competition from new entrants to the market. There are strong similarities between the case of contemporary China and Japan's experience a century before, and the analysis raises two questions, namely how far effective competition is always likely to lead to accusations against that competitor, and how far developing economies can be expected to adhere to standards imposed by their more advanced counterparts if they are to make their way in global markets.

Keywords Japan • China • Developing economies • Global trade

If we think of business ethics as the rules of conduct according to which business decisions are made, then such ethics are defined by the law, via regulatory bodies and trade associations, and via company codes. They will also be defined by the personal morals of individual business actors.

Violations, it can be argued, can be due both to weaknesses in the structure of rules (formal or informal) and to willing violations by individuals or groups.¹ While the term ‘business ethics’ is not found in the same way in the nineteenth-century discourse, the term ‘commercial morality’, which now sounds somewhat outdated, had a very similar meaning to the definition of business ethics offered above. The vocabulary is different, as is the economic environment, but the focus is very much the same.

Even allowing for competing definitions of what is meant by ‘business ethics’, it remains true that much of the historical analysis of business ethics and of ethical practices in business has been more concerned with the broad relationship between moneymaking, morality, and the workings of society, and less with the morality of day-to-day business transactions. For some commentators, thinking seriously about ethical business conduct by individual actors and organisations is a relatively recent development. For example,

Most of the contributors to business ethics before 1960 were philosophers that were concerned about the macro/normative relationships of business and society. Only in the next fifty years have we seen an emerging interest in the micro/normative and micro/descriptive components of business ethics.²

Certainly, it is apparent that both in the case of Japan, and in the more industrialised economies of the West, macro-level analyses of this kind were widespread; the views of Shibusawa Eiichi and other Japanese business leaders on the relationship between business activity, profit-making, and moral imperatives were the counterpart of earlier Western debates on the same topic. Both grew out of longstanding indigenous ethical and religious traditions in the context of a rapidly growing capitalist economy. Nevertheless, the discourse on commercial morality explored in this volume demonstrates that there was, throughout the nineteenth and twentieth centuries, also a second, more micro-level strand of discussion regarding the morality of conduct in day-to-day business transactions. This strand of discussion had implications for attitudes to the morality of business *per se*, but this was not its main concern.

Throughout these decades, the term commercial morality remained open to ambiguity. *The Economist*, which from the late nineteenth century used the term in a way that indicated the existence of a set of clearly defined standards, but rarely sought to spell out what those standards

were, in 1902, equated commercial morality with what it called 'strict business habits'—'a man for example, of the type of the chartered accountant or bank manager, with whom strict commercial morality is second nature'.³ The public perceptions of accountants and bankers have, perhaps, changed somewhat since this opinion was articulated, but the importance of an appropriate standard of morality in undertaking business activity, and the concepts of honesty and fair dealing normally associated with it, have continued to be very publicly debated over recent decades. Expressions of public concern over the primacy of individual and corporate enrichment, over an apparent willingness and ability to break the rules, or at least to exploit them, and over disregard of the wider interest of society, have been fuelled by revelations of scandals at least as shocking as those censured by nineteenth-century commentators, and often more damaging in their wider ramifications. Financial scandals over the last decade have been associated with situations in which the distinction between poor decision-making, intentional or unintentional breaking of the law, and technically legal but self-serving manipulation is almost impossible to draw. The ability of formal institutions to keep pace with technological and other changes in the business environment is arguably no greater than it was 150 years ago. Corporate social responsibility (CSR) as it is now articulated builds on earlier practices and history. That history, it is argued, remains relevant for contemporary debates over the extent to which CSR is driven by genuine moral objectives rather than being purely instrumental to the making of money or the achievement of legitimacy.⁴

In the case of Japan, the criticisms of low levels of commercial morality by Western commentators did not cease with the cessation of normal trade and wartime hostilities in 1941. These changed circumstances may have temporarily removed the impetus for such criticisms (replacing them, of course, with much more serious ones), but we find that they emerged again as the Japanese economy began to recover in the years after 1950. Producers in Britain and elsewhere who had felt threatened by Japanese exports in the 1920s and 1930s still had that memory fresh in their minds in the 1950s; if anything, the ill feelings were exacerbated by the bitter conflict that had taken place in between. Much of the language relating to the 'unfair' nature of Japanese competition in the early post-war decades resonated with the earlier criticisms that had established Japan's reputation for unethical business practice in the international market place. Complaints continued at least through the 1960s. Criticisms of Japan's infringement of other countries' intellectual property rights remained

conspicuous.⁵ Over time, many in Japan worked hard, and eventually with success, to overturn the old prejudices, and to establish Japan's reputation as a producer of quality goods, whose transactions were characterised by business probity and fair dealing. Attitudes were increasingly moderated by a recognition of Britain's relative decline and of Japan's genuine competitiveness in specific areas of production. Nevertheless, the overall awareness of a Japanese 'threat' persisted, highlighted by the pressure on Japan to agree to the introduction of a number of voluntary export restraint agreements up to the 1980s.

It is apparent from the story recounted here, however, that while the accusations of Japan's lack of commercial morality were in the earliest days sparked by a degree of genuine misunderstanding and ignorance on both sides, the most virulent complaints were ultimately fuelled by cultural difference combined with dominant traders' fear of new competition, manifested in particular through their concern that the international economic system afforded inadequate protection of the intellectual and commercial rights that they had accumulated. Disparities in legal systems and informal codes of conduct generated deep mistrust and misunderstanding in a commercial community that had long been accustomed to laying down the rules and having its own way in less industrialised countries, and increasingly feared for its own future in a new and unknown world populated by new actors.

This analysis thus leads to two broader questions. Firstly, can we ever expect dominant vested interests or first movers to welcome the appearance of new competitors that seem likely to threaten that dominance? Secondly, is it possible for developing economies seeking to 'catch up' with industrialised nations to establish their international competitiveness without cutting corners or seeking short cuts in ways that others might see as cheating or deception? In this respect the situation of China over recent years suggests some similarities to the case of Japan earlier in the twentieth century, and may be instructive. As noted in Chap. 3, for much of the late nineteenth century, and through to the interwar period, Japan tended to be unfavourably compared with China in terms of its degree of honesty and probity in domestic and international trade dealings. There was a persistent view in the West through to the interwar years that Chinese merchant dealings were characterised by a high degree of commercial honour, and that dealing with the Chinese did not provoke the kind of problems that characterised trading with Japan. Those views were to some extent shared in Japan itself. This high international reputation

did not go totally unchallenged at the time, but Chinese scholars have emphasised how leading late Qing merchants shared a similar business ethic and formulated a new Confucian-influenced business tradition, seeking to gain profits through appropriately honest behaviour and to dedicate themselves to giving back to society. This Confucian business ethic, it has been suggested, has still much to teach Chinese entrepreneurs at the start of the twenty-first century.⁶ Certainly by the interwar years, commentators such as Emery noted a ‘degeneration’ in Chinese mercantile morality. For this, he blamed the same combination of treaty port venality, cultural difference, and the expectation that countries outside Europe and North America had to play by the Western rules of the game that we find in the Japanese case. Many of the emerging problems came down to differences in the institutional framework of payment methods and general transactions, so that ‘it is not that the Chinese are dishonest, but they have their own methods’.⁷ Nevertheless, despite this perceived decline in standards of commercial conduct, China never in the pre-Second World War period attracted the level of opprobrium that was levelled at Japan. For many decades thereafter, moreover, China’s involvement with international trade remained highly circumscribed as the post-1949 regime sought to revolutionise all areas of politics, economy, and society.

Following China’s opening up from the 1980s, the country’s economic growth and export trade increased at an exponential rate. In the early 2000s, a number of scandals arose in relation to Chinese products which not only provoked domestic concern and outrage, but damaged China’s global reputation. In the words of one commentator, ‘China has become the poster boy for things sub-standard and unsafe, as well as unethical’.⁸ External complaints have included accusations of false or misleading contracts, of violations of intellectual property rights through brand or trademark fraud and imitative products, and of deceptive and dishonest advertising and marketing. The continuing willingness of overseas purchasers to buy Chinese products has suggested that the vast majority of such products are safe, and that overseas buyers have been willing to continue to deal with China, but it is acknowledged that even a small minority of cases can generate an overwhelmingly unfavourable reputation. There is, of course, significant evidence that the Chinese authorities, like their Japanese predecessors a century earlier, have recognised the damage that such practices (or even such unfounded accusations) can do to the country’s international reputation, and have moved in a range of ways to try and address the problem. Notwithstanding the strength of government

intervention, however, it is perhaps unreasonable to expect the country's evolving legal system to deliver results overnight. More importantly, perhaps, the effectiveness of formal institutions in improving individual behaviour remains open to question, just as it did a century ago. As one writer has stated in a manner reminiscent of the nineteenth-century debates in England, the core of the issue is that 'the true line of defense of product quality and safety is the businessperson's own moral bottom line'⁹—and that is something that the law is unlikely to be able to dictate.

What is also striking in light of the Japanese experience is the way in which the 'problem' identified in China has been contextualised and explained. One causal factor, it has been suggested, is the new domestic culture of being allowed to make money which has embodied a rejection of the old norms, but has yet to replace them with a new shared set of norms that can act as a guide to ethical behaviour.¹⁰ This absence of accepted norms is exacerbated by issues of cultural heritage and cultural difference, and the obligation 'to follow the rules of the game of world trade' as laid down by bodies such as the World Trade Organisation.¹¹ China's own traditions of commercial morality had been formally discredited for much of the second half of the twentieth century, while 'imported ethics without a proper process of adaptation often fail to work effectively in a local culture'.¹² The dramatically changing circumstances of China's international trade have enhanced the opportunities for, and rewards from, illegal or fraudulent behaviour, in what some consider to be the 'jungle' of capitalist business where anything goes as long as it helps to make money.¹³ The prevalence of *guanxi* (social and organisational networks, or personal connections) in the conduct of business in China, Taiwan, and other parts of Asia has provoked extensive debate and has been construed by some observers as closely associated with the existence of bribery and corruption. Likewise, we need to ask at what point traditional gift-giving may turn into bribery.¹⁴ This is all explaining ethical problems in terms of a dramatic transitional environment, and a clash of cultures, not un-reminiscent of that produced by the opening of the treaty ports and the Meiji Restoration in Japan. Times of economic and social change are likely, perhaps, to increase the opportunities for criminal acts. The distinction between 'risky, shady, unfair, and illegal practices' has always been blurred, and 'now and then, it becomes obvious that the invisible hand fails where markets lack not only a foundation of vigorously applied legal regulation, but also an underpinning of moral rules as well as the trust in such rules that engenders reliability and stability in economic transactions'.¹⁵

Perhaps most relevant to the larger questions, though, are the arguments made in relation to China's position as a developing country. While Japanese commentators in the 1920s spoke of the difficulty of monitoring and mobilising a lot of small producers to produce to a high standard, their more recent Chinese counterparts have argued that the competitive pressures on smaller Chinese producers are acute, while Chinese industry standards and the ability of the state to monitor these, particularly in the case of the many small producers, have lagged behind those that operate among larger companies, both foreign and Chinese.¹⁶ Should we, therefore, accept that developing economies can never be expected to adhere to the standards of their more advanced counterparts, that they have no choice but to cut corners, or, to use Ip's words, 'as China is still under some form of emerging economy, direct copying of codes and norms from the West may create standards too high for China to follow'.¹⁷

Writing about Japan and the accusations regarding its commercial ethics in 1911, the economist Karl Rathgen pointedly noted that effective competition almost anywhere tends to lead to poisonous accusations against the competitor. As we saw earlier, he suggested that the complaints were similar to those levied earlier by Britain against Germany, as people struggled to come to terms with the rising power of the late nineteenth-century German Empire.¹⁸ In the same vein, Lu hints that many of the concerns expressed about Chinese goods and Chinese business behaviour are, in part, motivated by fear of China's growing economic power.¹⁹ Of course, complaints about business ethics from the nineteenth century onwards have not just been targeted at new competitors in the global market. Chapter 2 demonstrated the extent and depth of discussion 'in the unrestricted capitalist economy of nineteenth century America and Britain' of 'unscrupulous behaviour—sharp practices, unfair deals in the market place, and the widespread support of rule breaking in the middle and higher strata of society'.²⁰ In the contemporary economy, the opportunities for 'cheating' are potentially even greater, as are the risks of doing so; however, the position of new competitors challenging previously dominant vested interests in the early twenty-first century world has perhaps made even more conspicuous the implications of divergent or unclear standards of commercial ethics and codes of business practice for developed and developing countries alike. The experience of Japan and the West in the late nineteenth and early twentieth centuries embodies how some of those implications were played out in the case of the first non-Western industrialising economy.

NOTES

1. Jones and Pollitt, 'Introduction', pp. 5–7.
2. O.C. Ferrell and Linda Ferrell, 'Historical Developments of Business Ethics: Then to Now', available at <http://danielsethics.mgt.unm.edu>, p. 6.
3. *Economist*, 8/12/1902, p. 1883.
4. Husted, 'Corporate Social Responsibility Practice from 1800–1914'. Husted defines CSR as 'clearly articulated policies and practices of corporations that reflect business responsibility for some of the wider societal good' (p. 126).
5. See e.g. Hunter and Sugiyama, 'Anglo-Japanese Economic Relations in Historical Perspective', pp. 76–81.
6. See e.g. Ma Min, 'The Confucian Merchant Tradition in the Late Qing and the Early Republic and Its Significance', *Social Sciences in China* 34, no. 2 (2013), pp. 165–183.
7. Emery, 'Chinese Commercial Morality', p. 234. Emery's view is discussed in more detail in chapter 3.
8. Po Keung Ip, 'The Challenge of Developing a Business Ethics in China', *Journal of Business Ethics* 88 (2009), p. 214.
9. Xiaohe Lu, 'A Chinese Perspective: Business Ethics in China Now and in the Future', *Journal of Business Ethics* 86 (2009), p. 453.
10. Ip, 'The Challenge of Developing a Business Ethics in China', p. 214.
11. Ip, 'The Challenge of Developing a Business Ethics in China', p. 216.
12. Ip, 'The Challenge of Developing a Business Ethics in China', p. 219.
13. Lu, 'A Chinese Perspective: Business Ethics in China Now and in the Future', pp. 456–457.
14. For *guanxi* and the relation to ethical considerations, see Chao C. Chen, Xiao-ping Chen, and Shengshen Huang, 'Chinese *Guanxi*: An Integrative Review and New Directions for Future Research', *Management and Organization Review* 9, no. 1 (Mar. 2013), pp. 167–207; Xiaoying Qi, 'Guanxi, Social Capital Theory and Beyond: Toward a Globalized Social Science', *British Journal of Sociology* 64, no. 2 (June 2013), pp. 308–324; Kai-ping Huang, 'Trustworthiness and Ethical Considerations: A Review of Personal Connections in China', *Quality and Quantity* 47, no. 5 (Aug. 2013), pp. 2723–2727. For a broader analysis of recent changes in Chinese business, see John Osburg, *Anxious Wealth: Money and Morality among China's New Rich* (Stanford, CA: Stanford University Press, 2013).
15. Karstedt, Levi, and Godfrey, 'Introduction', p. 972.
16. Lu, 'A Chinese Perspective: Business Ethics in China Now and in the Future', p. 452.

17. Ip, 'The Challenge of Developing a Business Ethics in China', p. 220.
18. Rathgen, *Die Japaner in der Weltwirtschaft*, p. 122.
19. Lu, 'A Chinese Perspective: Business Ethics in China Now and in the Future', p. 452.
20. Karstedt, Levi, and Godfrey, 'Introduction', p. 971.

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