

# “Confucian Capitalism”: A Challenge to the Global Economy

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## Fresh Light on Confucian Ethics

Most of the nations in the world attained their political independence after World War II. These countries intended to achieve economic independence and development, but many of them are still suffering from poverty and economic backwardness. Through the first and second oil crises in the 1970s and the early 1980s, only newly industrializing countries in Asia could join in the world industrial community, while the other developing countries dropped out. Thus the era during which Japan was long regarded as a unique successfully modernized country in Asia was over by the end of the 1960s. Asian NICs in the 1970s, some of the ASEAN nations, in particular, Malaysia and Thailand, the coastal regions of the China mainland in the 1980s, and even Vietnam in the 1990s, have tackled economic development.

As the twenty-first century approaches, the focus of world economic activity is clearly shifting from the West to Japan and a handful of newly industrializing countries on

the East Asian fringe. Since 1983, the East Asian nations, including Japan, have come to surpass Europe in terms of respective shares of U.S. foreign trade. What this means is that the world's largest volume of economic activity now flows from East Asia across the Pacific.

In this situation, a new approach is being taken with regard to East Asian problems both in Japan<sup>1)</sup> and abroad — namely attempts to find a key to the economic development of the region in the context of its definition as the Confucian Culture Area. Highly sophisticated academic studies have recently been started with a view to throwing fresh light on Confucian ethics, and exploring the traditions and spirit which contribute to modernization, industrialization, and economic development in East Asia. Japanese journalism sometimes discusses so-called Confucian Capitalism.<sup>2)</sup>

## What Is the Confucian Culture Area?

If East Asia is defined as a Chinese Culture Area or a *Kanji* (Chinese character) Culture Area, or, at its

simplest level, a “Chopstick Culture,” apart from the “Three Chinas”<sup>3)</sup> (the People's Republic of China, Taiwan, and Hong Kong), it includes such countries as Japan, the Republic of Korea, the People's Republic of Korea, Singapore, and Vietnam, and even the overseas Chinese communities in Southeast Asia.

However, Confucian Culture Area is a term that must be examined with

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<sup>1)</sup> In Japan, “Comparative Studies on Economic and Social Development and Modernization in East Asia” (abbreviated as “Comparative Studies on East Asia”) was organized for 1987–1991, as a large scale joint research project concerning Scientific Research on Priority Areas sponsored by the Ministry of Education, Culture and Science. I was Chief Coordinator for this project.

<sup>2)</sup> For example, Mineo Nakajima, “Asia's Prosperity and Confucian Capitalism,” *PRESIDENT*, March 1993.

<sup>3)</sup> See Mineo Nakajima, “The Three Chinas in Asia's New Order,” *Japan Echo*, Volume XX, Special Issue, 1993.

close critical scrutiny. First, we must at all times be conscious of the fact that we can easily fall prey to trite cultural anthropological formulas. A second problem in promoting the idea of a Confucian Cultural Area is recognizing the fact that Confucian culture, in actuality, has no meaningful direct influence on real economic development in East Asia. In this respect, Confucian culture means the common historical experiences of Confucian ethics and norms which have influenced East Asian society. It does not mean Confucianism and the study of *The Analects of Confucius*, for there are no direct linkages between Confucianism and economic development. It can be said that traditional Confucian culture itself is gradually dying out in East Asia.

On this point, Professor Donald Dore, an author of a book on Japan's economic development with respect to Confucian culture<sup>4)</sup>, said, "By Confucian culture I intend something like the following: 'a core complex of values, beliefs and customs which have characterized the dominant sectors (classes/regions) of the society, and which have reinforced, by reference to people, traditions or scriptures which have explicitly called themselves Confucian.'"<sup>5)</sup>

The People's Republic of China, meanwhile, despite its official adoption of the so-called "Reform and Open Door" policy for modernization, and its recent drive for economic growth, still has a long way to go before it achieves a transformation in industrial structure, and it would be unrealistic to describe China today as an industrial society. North Korea also lags sorely in terms of industrial development, particularly in comparison with South Korea. Vietnam is now becoming a country which attracts considerable

attention in terms of economic development, but its level of economic activity is very low. What should be noted here is the fact that even though some countries have Confucian traditions, it is quite difficult to succeed in any attempt toward modernization and economic development as long as that country works under a socialist system.

### Reality in East Asia and Modernization Theories

The fact that the East Asian countries are making remarkable progress in terms of economic development today would mean that the actual reality of these countries has already outstripped modernization theories.

Needless to say, Marxism, socialism, or theories of a planned economy are no longer valid models for modernization. The American model for modernization based on rationalism, or pragmatism, aimed at a highly consumptive mass society has also reached stalemate these days.

However, according to Max Weber's theory, there is a more comprehensive concept of modernization. In his famous writings *Ethics of Protestantism and Spirit of Capitalism* and *Confucianism and Taoism*<sup>6)</sup>, Weber wrote that modernization and industrialization could be attained only in Western society where the asceticism and willingness to work, symbolized by the "Protestant work ethic," were regarded as a nucleus value controlled by the strict ethos of Puritanism named "Weltablenkung" (rejection of the mundane world). At the same time, Weber tested the question of why Confucian rationalism, which approves gain and affirms the mundane world optimistically, cannot lead to the growth of modern capitalism, in

contrast with the Western Puritan or Protestant society in which gain is denied and the mundane world is strictly rejected.

Nevertheless, the so-called Confucian countries in East Asia have begun to show higher potential than Weber anticipated in the actual process of developing their capitalist economies from the 1980s through to the twenty-first century.

### Characteristics among Nations

As noted earlier, the Confucian Culture Area might alternately be recognized as the Chopstick Culture. Yet despite this blanket categorization, individual countries demonstrate their own peculiarities. The Chinese prefer long, thick chopsticks which they reuse indefinitely. Japanese tend toward shorter, thinner chopsticks made of natural wood which are disposed of after a single use, while Koreans opt for thin, metallic (silver) chopsticks. This same nonuniformity exists in matters of Confucian ethics: each country follows Confucian doctrine according to its own individual interpretation.

<sup>4)</sup> Donald P. Dore, *Taking Japan Seriously: A Confucian Perspective on Leading Economic Issues* (London: The Athlone Press, 1957).

<sup>5)</sup> Donald P. Dore, "Confucianism, Economic Growth and Social Development," Paper for The Third General Assembly of "Comparative Studies on East Asia," September 16, 1989.

<sup>6)</sup> Japanese translations: By Tsutomu Kajiyama and Hisao Ohtsuka (Tokyo: Iwanami Shoten, 1955); By Norio Kimata (Tokyo: Sobunsha, 1971), respectively.

The Confucian virtues themselves are interpreted in varying manners in China and Japan, and also in South and North Korea and other countries. Confucian doctrine is primarily based on two principles: loyalty and filial piety. These in turn are sustained by five virtues: benevolence, duty, ritual, wisdom, and trust. Traditionally, Japan and Korea have attached greater importance to the principle of loyalty than China. According to Dr. Yoshio Takeuchi, author of an authoritative work *The Spirit of Confucianism* on the Confucian spirit: "Whereas Chinese Confucian ethics have focused on the family and the concept of filial piety, in Japan these same ethics have been advocated principally in terms of the national state and loyalty rather than filial piety."<sup>7)</sup>

While the social emphasis on filial piety has been greatly diminished in modern Japanese society, it continues at a very profound level in South Korea, where respect for elders remains an ingrained tradition.

Among his five enumerated virtues, Confucius himself assigned the highest value to "benevolence," which he defined as sincerity deriving from man's intrinsic emotions. In Japan, however, the idea of benevolence, which is the wellspring of humanitarianism in the Confucian context, has had only limited appeal. In contrast, it is valued extremely highly in traditional China.

The virtue defined as "ritual" is generally ingrained in society as a norm of behavior established through habitual custom. As a social standard, emphasis on ritual is identifiable in all nations in the Confucian Culture Area. It is perhaps most strongly present in China. In modern Japan, the highest Confucian virtue would appear to be "duty."

Even with these great mutual differences, however, we cannot help but note the fact that the nations of the Confucian Culture Area, as a whole, are experiencing great economic development at present.

## Confucian Culture and Economic Development

Now let me touch upon some important aspects of Confucian culture with respect to economic development.

The most distinctive feature of Confucian culture, in my judgment, is the social order based on family collectivism or small groups operating in the society.<sup>8)</sup> In his recent book, Professor Il-gon Kim said, "In East Asia, successful economic development was brought about by the cultural background of Confucian collectivism which affected the capitalist systems."<sup>9)</sup> This is an interesting observation. It suggests that collectivism tied to Confucian ethics may be an important factor behind the economic development of countries in East Asia.

Family collectivism, furthermore, affects more than just labor organization. As Japan's enormous business corporations clearly demonstrate,

family collectivism also sets a standard for corporate management through the organization of an entire group lifestyle, embracing the corporate members as well as their families. The genealogy of the powerful merchants of the early Edo Period who came to form Mitsui, Sumitomo and other big businesses known in Japanese as *zaibatsu*, provides evidence of this phenomenon, and the same process is seen in the case of South Korea's financial institutions too. Here it is also important to note that the Confucian Doctrine of "following the middle path," or seeking "harmony," or *wa* in Japanese, serves an important cohesive and harmonizing role in corporate activities. It is not impossible, even, to recognize the lifelong employment system or individual corporate labor union as manifestations of Confucian thought.

A second distinguishing feature of the Confucian Culture Area is its strong emphasis on learning. The necessity to master *kanji* characters, of which there are thousands, has played a particularly effective role both educationally and socially in all nations belonging to the area. With the exception of the China mainland under the socialist regime, the nations in the Confucian Culture Area all boast high levels of general education and high literacy rates, which are ultimately attributable to the Confucian emphasis on education. Accordingly, knowledge intensified soil exists at both central and local levels in present-day Japan, Taiwan, South Korea, and other regions in East Asia. Needless to say, the existence of such a foundation is essential in the development of know-how needed for modernization and industrialization.

The third and most important point is that Confucianism was originally

<sup>7)</sup>Yoshio Takeuchi, *The Spirit of Confucianism* (in Japanese) (Tokyo: Iwanami Shoten, 1939), p. 213.

<sup>8)</sup> Regarding this expression, see Kim Il-gon, *Order and Economy in Confucian Culture Area* (in Japanese) (Nagoya: Nagoya University Press, 1986), pp. 86-94.

<sup>9)</sup>Kim Il-gon, *Economic Development in East Asia and Confucian Culture* (in Japanese) (Tokyo: Taishukan Shoten, 1992), pp. 152-153.

more a code of ethics than a religion. Professor Léon Vandermeersch, after astutely analyzing the essence of Confucianism associated with economic development to be “*famille* (family),” “rite,” and “mandarinate (high-officialdom bureaucracy),” says, “one of the distinctive characters of the Confucian system of communality is being completely free from religious belief.”<sup>10)</sup> Because it is not a religion in the strict sense of the word, Confucianism has coexisted in Japan with Shintoism, and in China with Taoism. In other words, Confucianism is an extremely “tolerant” doctrine — a set of social norms or moral laws rather than a religious faith. This coexistence with other religions and its own nonrestrictive religious nature are the decisive elements that separate Confucianism from religions such as Islam or Catholicism. And it would seem that this liberal code of ethical behavior, in conjunction with the aforementioned distinguishing traits of Confucian culture and its inherent worldly rationalism, inspires a sense of practical realism and empiricism which serve a major function in laying the foundation for an industrialized society.

In the meantime, there is the famous book *Rongo to Soroban (The Analects of Confucius and an Abacus)* written by the Japanese business pioneer Eiichi Shibusawa, who studied *Sekimon Shingaku*, a new Japanese Confucian school which affirmed the concepts of “*ri* (profit)” and exerted influence on the *chonin* (townspeople) class in the middle of the Edo Period. The *Shingaku* School also positively re-read *The Analects of Confucius*, removed the Confucian interpretations of the *Chu-tsu* School and found compatibility between *jingi* (a code of conduct) and *fuki* (wealth and high rank). The two ideas of business recognized

in this book, i.e., *giri-ryozen* (integrating morality and profit) and *chifu-keikoku* (running the state by achieving wealth) should help to cast new light on the up-to-date framework of the Confucian Culture Area.<sup>11)</sup>

## Conclusion

Needless to say, merely pointing to Confucian cultural influence does not provide all the answers when attempting to analyze the economic and social development of Japan and the NICs in East Asia.

Indeed, the economic backwardness of China, North Korea, and Vietnam in comparison to Asian NICs might better be understood in terms of the problems inherent in their socialist political systems. Concerning Japan, success must be attributed to its total acceptance of modern European ideals, culture, science and technology after the Meiji Restoration, as well as to such basic and logical factors as the domestic reforms implemented after World War II and the enormous influence exerted by contemporary American industrial civilization.

Numerous factors contribute to social and economic development in each country. But once the economic take-off has begun, Confucian culture definitely provides a positive environment for its enhancement. ■

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<sup>10)</sup>Léon Vandermeersch. *Le nouveau Monde sinisé* (Paris: Presses Universitaires de France, 1986), pp. 167–168.

<sup>11)</sup>On this point, see Mineo Nakajima, “Why the Confucian Culture Area Now?” (in Japanese) *Chuo Kohron*, August 1987.



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He is the most productive scholar on Asian international relations and on China, and he organized the large scale joint research “Comparative Studies on East Asia,” Scientific Research on Priority Areas sponsored by the Ministry of Education. Among his books are *On Contemporary China: Ideology and Politics*; *Hong Kong: a Changing City State*; *Sino-Soviet Confrontation in Historical Perspective*; *Beijing in Flux* which received the Suntory Prize in 1981; and many others.

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No. 7  
September 1993

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