

The Business Ideology of Benjamin Franklin and Japanese Values of the 18th Century*

Kishichi Watanabe
Kyoto Sangyo University

It is commonly understood that technological innovation and capital formation are important factors in the industrialization and economic development of all countries. We have discovered, however, at least since theories of entrepreneurship were introduced by Joseph A. Schumpeter and Arthur H. Cole, that the role of entrepreneurship also is a key factor in this development. Especially in the process of industrialization in Europe and America, entrepreneurs challenged and broke down the traditional value system and old business attitudes. They made innovations, invested their capital in new businesses, took risks, and developed their enterprises based on their business ideology and strategy.

Business ideology is vital to development because it shapes the mind or spirit of the entrepreneur and propels management toward a certain business goal. Sometimes entrepreneurs have to fight with the traditions and hostilities of the business environment. Therefore, it is first necessary to explain what is meant by "business ideology" in management or in business history. I define the concept of business ideology as the fundamental principles, goal, or spirit of business which entrepreneurs (as individuals or as a group-- the core of management) regard as the soundest basis for the foundation, maintenance, and development of the enterprise, thereby greatly affecting strategic and managerial decision-making. In short, the entrepreneurs' attitudes toward life, ethos, philosophy, and value systems, along with their view of business, reflect and create their business ideologies. They are not merely the professed face of the enterprise but have great influence over the development of those endeavors (enterprises). Each enterprise has different business goals and principles due to its historical background (e.g., the wills of ancestors, the founders' teachings, house rules, and company principles) in addition to its leaders' thoughts and creeds. Past speeches,

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books, and pamphlets must be used in making historical studies, but historians also must examine the activities and accomplishments of the entrepreneurs.

In my paper I intend to examine the early American business ideology (and business practices) of Benjamin Franklin by examining writings such as his *Autobiography*, *The Way to Wealth*, *Advice to a Young Tradesman*, etc. This study illustrates not only a success story of an early American entrepreneur, based on his work ethic of industry, thrift, and rationality, but also the origin of business ideology which promoted American industrialization. Following this, I will describe business ideology of the Tokugawa era of Japan in the 18th century, which had maintained the traditional values and business attitudes in the dominant merchant class (oriented by Confucianism) until the Meiji Restoration in 1868 and the industrialization of Japan.

In comparing Franklin and Japanese business ideology in the 18th century, we would like to know both the common factors and the differences in a historical perspective. I also would like to address the question "What were the real factors promoting industrialization in modern society?" by reexamining Weber's *The Protestant Ethic and the Spirit of Capitalism*.

Benjamin Franklin once worked in a printing factory in London and was despised as a "water-gobbling American" by his hard-drinking co-workers. Later in life he was described as the greatest American politician, diplomat, philosopher, and scientist of the 18th century. Karl Marx had high regard for Franklin ("the first great economist in the new continent") and Thomas Carlyle called him "the father of all Yankees." Max Weber wrote that Franklin's words and ideas purely expressed the classical spirit of capitalism. Although many studies of Franklin have been done from the viewpoints of economic thought and history, I will describe his entrepreneurship and beliefs briefly from the point of view of business ideology.

Benjamin Franklin in Childhood and as a Workman

In his boyhood, Franklin received much love from his parents and was especially influenced by his father's teachings. In his autobiography, Franklin tells of his father quoting from the Book of Proverbs in the Old Testament: "Do you see a man diligent in his calling? He shall stand before kings; he shall not stand before mean men." Franklin wrote, "Ever since then I thought diligence was the key to wealth and success and I was much encouraged by the thought" [6, vol. I, p. 323]. Diligence was his work ethic all through his life-- not only when he was a workman and an entrepreneur, but also when he was a politician and a diplomat.

In 1718 when Franklin was 12 he was apprenticed to his half-brother James (then 21) who had a printing business in Boston, and he mastered skills under his brother's training. The relationship with his short-tempered, violent brother

worsened, however, and in 1723 at the age of 17 Franklin left Boston for Philadelphia.

In Philadelphia he was fortunate in being hired by a Mr. Keimer, who had a printing house, and he favorably impressed Sir William Keith, Governor of Pennsylvania, who advised Franklin to go to England and buy equipment for printing. Franklin went to England and worked for the Watts Printing House in London for approximately nineteen months. After returning to Philadelphia, Mr. Keimer offered him a management position at his printing firm. There were a number of poorly-trained, lazy, reckless workers who drank in the firm and in his autobiography Franklin stated:

I put his printing house in order, which had been in great confusion, and brought his hands, by degrees, to mind their business and to do it better [6, vol. I, p. 290].

At that time printing types were imported from England and since there was no type foundry in the United States Franklin designed a matrix to make his own printing types for Keimer. When the New Jersey colonial government requested that they print paper money, he contrived the first copper plate and cut several ornaments and checks for the bills. Franklin thus became an innovator in American printing technology.

Evaluating Franklin's business performance, remarkably, he promoted the rationalization of the enterprise as a whole, raised the sense of morality among workmen, and instituted labor management practices to increase productivity. Carrying out the various technical innovations can be thought of as a prototype of modern factory management. His work was similar to that of Robert Owen, a manager at the (Piccadilly) Spinning Mill in Manchester during the English Industrial Revolution, who is called the "Father of Personnel Management" (for the modern era). Owen put the same kind of management theory into practice as did Franklin and at the same age-- 21. It is noteworthy that both men recognized that the improvement of the worker's morality and rational regulations are a prerequisite and basis for good factory management.

Entrepreneurship-- Printing and Publishing Management

In 1728 at the age of 22 Franklin started his own printing firm. His friend Meredith, who he had persuaded to stop drinking and who held a high opinion of Franklin's personality and ability in the printing business, proposed a partnership with Franklin. Although Philadelphia was a small colonial town, there were three printing houses in the city so that competition was keen. There were rumors that, sooner or later, Franklin would go bankrupt; however, the rumors changed and people began to think highly of him. Franklin recalled:

In order to secure my credit and character as a tradesman, I took care not only to be in reality industrious and frugal, but to avoid all appearances to the contrary. I dress plainly; I was seen at no places of idle diversion. I never went out fishing or shooting ... [6, vol. I, pp. 307-08].

We can observe in his life that a petty capitalist who promotes his business steadily, placing great importance on trust, and working with an ethos of diligence, thrift, and ascetic habits can be successful.

In 1729 Franklin began to publish *The Pennsylvania Gazette*, which stood out as a uniquely excellent tabloid. In September 1730 at age 24 he married Deborah Read and the next year he drew up his now well-known list of "thirteen virtues." In 1732 he published his famous *Poor Richard's Almanac*, filled with his unique innovations.

In examining Franklin's enterprises, we see he owned an independent printing house, including the typefaces, necessary tools, and employing workers and apprentices. Printing was his main business but he also published newspapers and books. He also engaged in sales, including in his stock, stationary, paper, compasses, maps, imported books, and other merchandise. Besides his self-owned ventures he set up several printing houses in partnership and managed the business behind the scenes (so-called "silent partnerships") in order to encourage young businessmen to become independent.

Franklin had shown qualities as an entrepreneur in multiple management like a general merchant, accumulating capital to be used in his new businesses. He later explained:

My business was now continually augmenting, and my circumstances growing daily easier, my newspaper having become very profitable, as being for a time almost the only one in this and the neighbouring provinces. I experienced, too, the truth of the observation, "that after getting the first hundred pound, it is more easy to get the second," money itself being a prolific nature [6, vol. I, pp. 359-60].

In 1748 Franklin retired from the forefront of the business and became a member of the Philadelphia Municipal Assembly and published a pamphlet entitled *An Advice to a Young Tradesman*, which told of his experiences as a young businessman and the lessons he learned. It included such proverbs and principles of business as:

Time is money ... Credit is money ... Money is of the prolific, generating nature. Money can beget money, and its offspring can beget more, and so on. ... The most trifling actions that affect a man's credit are to be regarded.

In short, the way to wealth, if you desire it, is as plain as the way to market. It depends chiefly on two words, industry and frugality; that is, waste neither time nor money, but make the best use of both. Without industry and frugality nothing will do, and with them every thing. He that gets all he can honestly, and saves all he gets, will certainly become rich [6, vol. II, pp. 370-72].

Innovation

Let us now examine Franklin's innovations. As mentioned earlier, Franklin as a young man devised and produced the first matrix and copper plate printer in America, but he should be more appropriately regarded as a "software innovator" who used existing printing technology (as opposed to Gutenberg, the hardware innovator who invented the printing machine in 1450).

The open-front stove Franklin invented in 1742 became popular because of its excellent heating ability and fuel saving features. Franklin gave its design and manufacturing permit to his friend Robert Grace, who also gained large profits. Franklin turned down a patent for the stove because he insisted that "since we profit greatly by the inventions of others we should be pleased to see our inventions being useful to others, without being stingy about it" [6, vol. I, p. 370]. Thus he let others use his inventions for public use rather than personal interest.

Probably his most famous invention was the lightning rod. In 1752 he proved that lightning was identical to electricity and created a way to control lightning, thereby decreasing the fear of invisible and supernatural powers.

He also made other important contributions in cultural and social spheres and in public service. The paving of roads was one example of this. He formed a liberal and practical club called "Junto" in 1727. In 1731 he established a circulating library, in 1736 organized the Union Fire Service Association and founded a hospital, and in 1751 established the Academy of Philadelphia. Thus Franklin's activities were based on his humanitarianism not only in his private business life but in his cultural, academic, and social life.

Business Ideology and American Values

The core of Franklin's business values stressed "diligence and frugality" and these were emphasized consistently in such writings as the Book of Proverbs from his father's teachings during his boyhood, *The Thirteen Virtues*, formulated when he was 25, *An Advice to a Young Tradesman*, written at the age of 42, and *The Way to Wealth*, published when he was 51. He emphasized the importance of time and trust-- advised making good use of time and suggested that trust is the foundation of business and human relationships.

Regarding his views on profit, recalling his life in London, he said, "In those days I was anxious to save money." In *An Advice to a Young Tradesman* he wrote "Get whatever you could by fair means." "Make a profit." Having been poor and having lived a life of difficulties he knew how precious and valuable money and work were. Thus he advised financial independence to attain freedom and did not think of profit-making in terms of a moral vice. Instead he gave positive acknowledgement of it. He believed in fair profit-making based on the work ethic and rational management. This differed from "previous wicked merchants" such as loan sharks who took advantage of a person's weakness.

Among the brilliant scholars, Max Weber found the classical "spirit of capitalism" in the works of Franklin. Citing mainly *An Advice to a Young Tradesman*, Weber observed that Franklin was the incarnation of the spirit of capitalism and commented on his goal of profit-making:

The peculiarity of this philosophy of avarice appears to be the ideal of the honest man of recognized credit, and above all the idea of a duty of the individual toward the increase of his capital, which is assumed as an end in itself.

In fact, the summum bonum of this ethic, the earning of more and more money, combined with the strict avoidance of all spontaneous enjoyment of life, is above all completely devoid of any eudaemonistic, not to say hedonistic, admixture. It is thought of so purely as an end in itself. ... Man is dominated by the making of money, by acquisition as the ultimate purpose of his life [13, pp. 51-53].

Franklin affirmed profit-making, but the making of money ("money, money, money") should not be the ultimate goal. He did not consider wealth to be the highest achievement of life. For instance, temperance, order, resolution, frugality, industry, sincerity, justice, moderation, cleanliness, tranquility, chastity, humility, honest, freedom, and independence, which should be included in his *List of Virtues*, are widely accepted as the basis for modern, civil ethos, but not necessarily for maximum profit-making. This is proved by Franklin's refusing to obtain patents for his stove and lightning rod. Thus we can understand how Franklin's business ideology was formed, based on a modern civil awareness and ethos.

Freedom

Besides the *Thirteen Virtues*, freedom, individualism, and rationalism are indispensable foundations for understanding his thought and activities as well as considering the spirit of modern capitalism and the factors promoting

industrialization. *The Way to Wealth* emphasized the virtues of diligence, thrift, and prudence in obtaining assets. Franklin wrote,

The Borrower is a Slave to the Lender, and the Debtor to the Creditor, - disdain the Chain, preserve your Freedom; and maintain your Independency: Be industrious and free; be frugal and free [6, vol. III, p. 417].

Freedom and independence are the heart of his virtues and the final goal of profit-making. His spirit of sovereign independence, freedom, and the rational way of thinking made the ethos of diligent work productive and innovative. They helped the spirit of frugality and prudence to turn toward re-investment and the accumulation of capital.

In other words, traditional values of asceticism from the Middle Ages, such as patience, temperance, industry, and frugality, which are the same words used by Franklin, but which are from an era that lacked the spirit of modern freedom, rationality, and individualism, could not possibly bring about success in business and increased productivity, but only served to maintain the same system of production and distribution. The traditional systems such as guild, church, and feudalism oppressed individual freedom.

It is my strong impression that Franklin was a man of freedom, not only in his early age as a tradesman and entrepreneur, but also later as a statesman and diplomat who devoted himself to building the framework of political, economic, and social freedom. Signing the Declaration of Independence in 1776 and the Constitution in 1787, which states "To secure the Blessings of Liberty," are expressions of his ideals of freedom and the rights of the individual.

Individualism

The concepts of freedom and individualism existed strongly in Franklin's thought and activities and they also expressed the spirit of American capitalism and are part of the heritage of her culture. The origin of individualism, which emphasized human dignity, independence, and individual decision-making, might be in the beliefs and ethos of Puritanism that expressed "A man is justified by faith" (Romans 3). He who has to stand alone before God can not rely on church or other organizations for his salvation. This concept was different from Roman Catholicism, which viewed the church as the means of salvation and preferred the interest of cooperative society to the individual.

Franklin did not say anything about "individualism," but his virtues of independence, temperance, industry, resolution, and the phrase "God helps them that help themselves" expressed the meaning of "individualism." Pursuing his thought and business ideology, he (and his followers) had to discipline, rationalize and systematize life and business for the creation of wealth and

success in life. Therefore, to insist that the individual is responsible for his wealth, success or failure in his life, and that society has no vital obligation, must eventually develop individualism.

Franklin's values, ideas, and examples stimulated the spirit of independence, hard work, and individualism, especially to young men in following generations, and contributed to forming the business ideology of the new entrepreneur in the United States. For example, Thomas Mellown, one of the great 19th century American businessmen who was aroused by Franklin's spirit, wrote that "the reading of Franklin's *Autobiography* was the turning point in my life." After he left the family farm and entered business, Mellown later had a thousand copies of the *Autobiography* printed to be distributed to young men [2, p. 7].

It is my conclusion that Benjamin Franklin should be considered "the Father of the American businessman." Through this examination of Franklin's business ideology, we can understand that the spirit of freedom and individualism, tied up with ethos and self-active asceticism, had been the foundation of promoting industrialization in the United States, a view which might be correct also in the case of Western Europe.

The Japanese Values of Business Ideology in the 18th Century

Now I will describe the business ideology of the Tokugawa era of Japan in the 18th century, comparing it with its counterpart in America during the same period. Before the Tokugawa era of the early 17th century the Japanese economy developed remarkably and merchants were known for their vigorous and adventurous spirits, especially those who traded with the countries of the Far East. However, after the first Tokugawa (Ieyasu) had conquered all rivals and established the centralized government based on a military dictatorship controlling 300 regional lords in four islands, political and economic conditions changed.

One of the conspicuous features of the Tokugawa Shogunates is that they formulated the policy of the exclusion of trade and diplomacy with other countries of the world in order to maintain their system. They prohibited all contact with countries except China and the Dutch traders. Nagasaki was the only open port, and it was strictly regulated. The major premise of the policy was to prevent an invasion from European countries with Catholic missionaries, but they also were tired of fighting each other during the inter-war period. However, this isolationist policy had a decisive effect on Japan for the 250 years of the Tokugawa era, shutting down the flow of information and exchange of people from the world as well as eliminating the chance for the introduction of modern technology and Western cultures. This was the time to keep peace and to form the roots of the "Japanese type of business."

Establishing a bureaucratic government, the Tokugawa Shogunates also attempted to form a social class system or hierarchy in which there were four classes: Samurai (Warrior), farmers or peasants, artisans or craftsmen, and merchants or tradesmen. The most privileged class were the Samurai because they played a role in political, military, and public responsibility. Merchants were regarded as the lowest class, since they were not productive but only pursued profit.

Fundamentally, we observe deep-rooted Confucianism in Tokugawa feudal society. Originating in China, Confucianism was used to control all of Japanese society by the Shogunates. They made it the official philosophy and used it as a rigid social framework as well as the basis of social values, which we see in the class system of strict, regulated hierarchy. They emphasized the vertical order: the public good preceded the private good, and formalistic virtue (respect, obedience and loyalty to one's lord and master) preceded individual happiness. Japanese are also known to be group centered ("Japanese Group Capitalism"), and this originated in the Tokugawa society where individuals were neatly organized into hierarchies. In this aspect of the Tokugawa value system, we hardly find individual dignity, independence, freedom, and the innovative spirit of modern society.

In spite of being in the lowest class, merchants under Tokugawa feudalism had economic power and played an important role in the national economy. The city merchants, whose trading was regulated by the guild system, coordinated the flow of goods through production and distribution in the national market and so their power grew. For instance, the city of Osaka with a population of about 400,000 in the 18th century was the center of commerce and finance and was called the "kitchen of the nation." It is said that 70% of the nation's wealth was accumulated by Osaka merchants. The main business of Osaka was wholesale trade because of its good geographical location. In 1715 the city had more than 5,600 wholesalers, among which the most powerful 24 merchants handled large transactions in rice, cotton (yarn and cloth), oil, iron, agricultural products, timber, and other goods [5, pp. 31-32].

In the merchant community the "House" meant the family enterprise, either individual owner or partnership, just like the House of Hancock in 18th century America, and where such virtues as obedience, loyalty, propriety, honesty, thrift, and diligence were emphasized. It was during the declining period of the early 18th century that merchants instigated "House Rules" or "Family Creed" as a business ideology of defense [9, pp. 123-36].

In order to understand the business ideology of the Tokugawa era a brief explanation of the business philosophy of Baigan Ishida and the "House Rule" formed by the biggest merchant family, Mitsui, is needed.

Baigan Ishida (1685-1754), a business philosopher, started the Shingaku movement (know your heart or mind) in 1729, at the same time Franklin espoused his *Thirteen Virtues* (1731). Robert Bellah praises Baigan's thought (and

movement), finding in him something of the Western mind. Baigan worked for a merchant House after his apprenticeship, then became a teacher of business philosophy in Kyoto at the age of 44.

It was his purpose in the movement that people maintain a harmony between busy work and spiritual enlightenment based on the Shinto religion, to inspire merchants to be self-respectful and confident in their business and to raise them from the lowest class of society. He emphasized that the "Merchant should remain true to his vocation as a merchant"; "Merchant work was noble and equal with that of any other social group, there is nothing shameful about selling things"; and "Profit making is just like Samurai's salary." He clearly affirmed "profit making" without guilt [8, pp. 29, 84-111; 5, pp. 53-55].

However, Baigan did not challenge Tokugawa feudal values. He approved of the virtues of submission, loyalty, and gratitude and never advocated the right of the individual or freedom against the Shogunate's power or vertical order. After Baigan's death the Shingaku movement grew into the most influential educational institution of the merchant class and the Tokugawa government made use of it to form principles for the merchant's behavior.

There were three great merchant Houses in the Tokugawa era, which established their House Rule as business ideology to maintain their businesses and assets during the depression of the early 18th century. The Mitsuis set up their House Rule in 1722, the Konoikes in 1723, and the Sumitomos in 1721. The Mitsui House prospered in the business of dry-goods (clothing) and money exchange and were respected by the merchant community and trusted by the Tokugawa Shogunate. The second Mitsui generation, Hachiroemon, wrote the House Rule (or Family Constitution) in 1722 which consisted of 19 articles. It was not published in public but became well known in the merchant community. The contents of the House Rule are important in understanding the business ideology and values of Tokugawa merchants:

- (1) This Family Constitution being based on the written testament of the founder (Hachirobe) must be observed by all descendants.
- (2) Always bearing in mind the many benefits received from the ancestors, everyone must work diligently for the greater prosperity of the House.
- (3) The laws of the Shogunate must be carried out to the letter, by the family members.
- (4) The dangers of luxury, to which many city merchants succumb, must be avoided.
- (5) New types of enterprises must not be started, even if others should do so, notably, money lending to daimyo (lords) and other speculative investments should be avoided [5, pp. 63-64].

Among the many aspects of management in the Rule we observe the strong conservative and defensive policy that prohibited new ventures. The ancestors'

business and the House Rules must be maintained. We also see the traditional virtues of diligence, thrift, patience, and obedience which were reflected in the values of Tokugawa society based on Confucianism. However, from the viewpoint of business ideology, these rules were regarded as the soundest basis for maintaining and developing the House business.

Conclusion

We observe the same spirit of ethics in the business values of the Tokugawa era, Baigan's thought, and business ideology of the merchant's House as is found in Max Weber's theory. They all emphasize the virtues of diligence, frugality or thrift, honesty, patience, confidence of profit-making, and work ethic. Consequently, we must recognize the existence of the spirit of capitalism in Tokugawa feudalism. However, Japan did not start her industrialization until the Meiji Restoration in 1868. Without the introduction of modern technology and culture as well as the political shock from America and other western countries, Japan could not move toward her modernization, even though she had a similar spirit of capitalism in the Tokugawa era. Regarding what Weber has said: Why is that so? and Is there anything missing in Weber's theory?

If we compare American values with Japanese values in the 18th century, or the business ideology of Franklin with the Merchant's House Rule, differences will be found. The big difference is the fact that America produced progressive, innovative, self-assertive minds and the spirit of freedom as well as individualism, which we have seen in Franklin's thought but did not in Japan. Japan failed to evolve those ideals in the Tokugawa era. Tokugawa merchants did not challenge nor did they break down the traditional value system, nor were the minds of the innovator or modern entrepreneur awakened. It is a very important point that those American spirits or ideas were vital factors, or preconditions, for bringing about spontaneous industrialization and modern capitalism. Therefore, we observe something missing in Weber's theory of the spirit of modern capitalism. Essentially Weber failed to appreciate the role of individualism, freedom, and innovation in driving entrepreneurship and industrialization.

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