

Islamic Economic Ethics and Japanese Traditional Business Ethics

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Abstract

The Muslim population accounted for 22.9 per cent of the total population in the world in 2009. Furthermore, the Muslim population is continuously increasing. This means that more people in the world will respect the Islamic business ethics and principles. This paper reviews Yasuo Yuasa's comparative study on the respected virtues being changed in accordance with the evolving economic mode of production and redistribution in the Western capitalism as well as the Japanese capitalism to find different ethics and ethos. Expanding his approach, this paper attempts to contemplate the similarities of economic ethics embedded in the traditional Japanese system and the Muslim society. This paper suggests that the virtue of "honesty" in the process of commerce, even before the rise of primitive capitalism in Japan, and the virtue of seeking for "justice" (fairness and equality) in the redistribution process have been highly respected in both of the societies. It is worth noting that the subjective ideals sought in both of the societies have a different element from the Protestant ethics that worked as the spirit for the rise of Western industrial capitalism.

Keywords:

Business ethics, Economic ethics, Islam, Muslim, Yasuo Yuasa

1. INTRODUCTION

According to an estimation by the Pew Research Centre's Forum on Religion & Public Life, an NPO (non-profit organization) whose headquarter is located in Washington, USA, the Muslim population was counted no less than 1.57 billion at the point in 2009. This accounted for 22.9 per cent of the total population in the world. Furthermore, the Muslim population is continuously increasing. This means that more people in the world will respect the principles and ethics of Islamic economics in the future. In order to deepen our economic relations between Japanese and Muslims, it is worth noting the similarities and differences of economic ethics embedded in the Japanese system and the Muslim society.

This paper reviews *Yasuo Yuasa's* comparative study on the respected virtues being changed in accordance with the evolving economic mode of production and redistribution in the Western capitalism as well as the Japanese capitalism to find different ethics and *ethos*. *Yasuo Yuasa* (1925–2005) is the Japanese philosopher and known as a pioneer who conducted a land-breaking work for comparing the business ethics embedded in the Western capitalism and the Japanese capitalism to find different *ethos* (in the Max Weber's term) which are required for the evolution of each mode of production and redistribution. This paper attempts to expand his hypothesis to see the similarities of business ethics embedded in the traditional Japanese system and the Muslim society.

Islam, a religion born in the Arabian Desert, where *trade* constituted the most important, “perhaps even the sole economic activity, favours merchants, property rights, free trade and market economy” (Çizakça 2011: xv). In this context, Islam is called as the religion for merchants (Books Esoterica 1995: 76; Ayub 2007; Çizakça 2011). The business ethics in the Islamic mode of transactions are related to the civilized urban way of life at the birth of Islam. The holy Prophet had spent half of his life working as a merchant in Mecca, where the urban culture was flourished and the values for facilitating fair transactions among the merchants in equal positions were shared (Books Esoterica 1995; Okawa 2008). The holy Prophet mentioned that trade constituted nine-tenth of the livelihood of early Muslims. In fact, of the four righteous Caliphs, Abu Bakr was a cloth merchant and Uthman was an importer of cereals (Çizakça 2011: xiv).

The values being shared among merchants have developed the concept of contracting and the importance of respecting mutual property rights in the Islam community. Islam recognizes the role of market and the freedom of individuals

in business and trade, while Islam restrains the freedom to engage in business and financial transactions on the basis of a number of prohibitions, ethics and norms. It is widely known that the prohibition of *Riba* (usury), *Gharar* (uncertainty) and *Maisir* (gambling) is the most strategic factor that defines invalid and voidable contracts and demarcates the overall limits which should not be crossed (Ayub 2007: 12).

We can ask from a different perspective: why was the Industrial Revolution (typically observed in the Western economy) totally missed in Islamic economy? If the Weberian hypothesis on the Protestant ethic and the spirit of capitalism (this famous study was first published in 1904–05, revised in 1920, and translated into English in 1930. See Weber 2002) is held, we may hypothesize that the Islamic ethic or subjective ideals sought in the Muslim societies have a different dimension from the Protestant ethics that greatly contributed as the spirit for the rise of Western industrial capitalism.

Section 2 overviews *Yasuo Yuasa's* approach of capturing the principle of economic behaviour and actions in the society by analysing the respected virtues being changed in accordance with the evolving economic mode of production and redistribution in the Western capitalism as well as the Japanese capitalism to find different ethics and *ethos*. Section 3 argues several features of Islamic prohibitions-driven economy. It also aims to apply Yuasa's approach to analysing the similarities of economic ethics embedded in the traditional Japanese system and the Muslim society. Section 4 adds other remarks on the Japanese egalitarian society. The last section puts concluding comments.

2. YUASA'S VIEW ON THE HISTORIES OF WESTERN AND JAPANESE ECONOMIC ETHICS

Contemporary economists are primarily concerned about the economic phenomena emerged as a result of the actions taken by the economic agents. Yasuo Yuasa lamented their falling appetite for clarifying the structure of logics *per se* which underpins the actions taken by the economic agents. For him, ethics is considered as the fundamental subject in the study of analysing the structure and principles in the human behaviour and actions (Yuasa 1967: 11; Yuasa *et al.* 1989). He insisted that in order to capture the principle of economic behaviour and actions in the society, economists should look closer at the human as economic agents who take actions at their discretion in accordance with their own "subjective ideals", and should investigate how the economic agents act

for seeking (also compromising) their subjective ideals in the economy (Yuasa 1967: 10).

Yuasa looked at two dimensions of our economic behaviour and actions. One dimension is related to the human behaviour of utilizing and controlling the material. The other is the relations of control and cooperation among the economic agents. He referred to the “forces of production” (FoP) in the Marx’s term as the former relations between “human” and “material”, while referring to the “relations of production” (RoP) as the latter relations between “human” and “human” (Yuasa 1967: 17-18). Marx is concerned with the interaction of technical progress, the social organization which harnesses it, and the state system and ideological systems which support it. The most basic component of Marx’s analysis is “technology”, which he calls the “forces of production” (FoP). We may define the FoP as the material conditions which allow average social productivity and its rate of growth to be enhanced. Following the FoP, the next most basic component of Marx’s analysis is the so-called “relations of production” (RoP). This can be defined as the social relationships which govern the organization of production. They describe the effective ownership and/or control (or cooperate) over the factors of production. In addition to the formal/legal allocation of rights, the RoP also describe the distribution of power since the effective control (or cooperation) over resources often depends on the distribution of power.

Yuasa pointed out that each of these two dimensions requires its own economic ethics, respectively. He suggested that the virtues of “diligence and industriousness” as well as “thrift” are the guidelines for actions in the relations between “human” and “material”, in other words, those for shaping the FoP. The virtue of “diligence and industriousness” is regarded as the guiding principle for actions of effectively investing “human” power over the “material” in the process of “production”. The virtue of “thrift” is the guiding principle for actions of effectively maximizing the preference utility from the material in the human life of “consumption”. In terms of the self-realization or actualization of man, irrespective of the man being a capitalist or a socialist, “technology” provides the necessary conditions for this goal that is to be fulfilled. In this context, the difference between capitalism and socialism in the light of the mode of production does not matter. However, the argument on the virtue for shaping the relation between “human” and “human”, in other words, the ethics being respected in each RoP, is more complicated. Yuasa (1967: 18) was concerned about the virtue of “reciprocity” or “honesty” respected in the process of commerce and trade

(dealing with goods and services between human and human) and the ideal of “equality” in the process of redistribution to shape each RoP. His concern was addressed to “social justice” and “fairness” as the combined virtues of honesty and equality.

In the history of Western economic thoughts, for the rich to extend “mercy” on the poor was considered as an obligation in the Middle Ages. Yuasa referred to the words by *Thomas Aquinas* (1225–1275), an influential philosopher in the tradition of scholasticism, such that those who do not extend mercy on the people in adversity should be put to death. This way of thinking upon the virtue of charity and almsgiving had existed in the Western society until the 17th century, but gradually eroded in accordance with the rise of Protestantism. *Jean Calvin*, an influential French theologian and pastor during the Protestant Reformation, referred to St. Paul’s word; “Whoever refuses to work is not allowed to eat” (Paul’s Second Letter to the Thessalonians, 3:10). Calvin regarded laziness as human’s sin and accused of mercy as the inducement to shirking work (Yuasa 1967: 31).

The virtue of charity was considered one of the basic economic ethics in the feudal society. Yuasa pointed out that the virtue which underpins the process for redistribution disappeared in accordance with the rise of the original mode of industrial capitalism (Yuasa 1967: 36). The people in the Western Middle Ages were in a sense of ethics, while we can observe the same sense also in the medieval period in Japan, such that the real meaning in human life can be found in the religious “salvation” (Yuasa 1967: 37). For the people in the period, the economic benefits was no more than the ancillary meaning in life. In contrast, the Protestants, in particular, the Puritans who emerged in the Western societies attached their highest value to the spirit of self-sufficiency and self-independence as well as the virtue of diligence. For the Puritans, the virtue of “diligence” in production and “thrift” in consumption was to be emphasized as the economic ethics to be respected based upon the *ethos* of “self-sufficiency and self-independence”. On the other hand, the virtue for the sake of enhancing the process of commerce and trade (exchange and circulation) was not at all emphasized (Yuasa 1967: 50). Yuasa pointed out that *Adam Smith* mentioned in his famous book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, about “thrift” as the primary engine and “diligence” as the secondary one for accumulating the capital, while Adam Smith did not refer to the term of “reciprocity” or “honesty” which should be respected in the process of commerce and trade.

It is worth noting that the above history in the Western societies leading to the industrial capitalism where the virtue of reciprocity and honesty became less emphasized while the virtue of diligence and self-sufficiency was highly respected, has a sharp contrast with the history of economic ethics in Japan. In the mid-*Edo* period, that is, in the stage of primitive commercial capitalism, the virtue of honesty had already obtained a firm foundation in the Japanese economic ethics (Yuasa 1967: 52). We can note that it was *Ishida Baigan* (1685–1744) who emphasized the virtue of honesty in the Japanese society. Ishida Baigan was the Japanese scholar who originated the moral-education movement called *Shin-gaku* (“Heart Learning”), which sought to popularize ethics among the common people. The son of a farmer, Ishida Baigan began studying ethical doctrines when he apprenticed to a merchant house. His teaching was based on his working experiences as a merchant. According to his teaching, the content of honesty is addressed to the importance of complying with the agreement in contracts and of respecting mutual property rights (Yuasa 1967: 52).

Yuasa did not clarify why such a charismatic scholar as Ishida Baigan appeared in the eighteenth century in Japan. In fact, private academies (*shijuku*) proliferated around that period. Most were the creation of an individual, often a charismatic scholar who inspired his young students with ideals of perseverance and managed to install a sense of discipleship and loyalty. Jansen (2000) refers to the research by Richard Rubinger on the number of each type of schools by the date of establishment in *Tokogawa* times. 19 *shijuku* were established before 1750, 38 between 1751 and 1788, then 207 between 1789 and 1829, and 796 between 1830 and 1967. Besides, the commoner schools that were usually grouped together as “parish” or “temple” schools (*terakoya*) and village (*go-ko*) schools also proliferated. 47 *terakoya* were established between 1751 and 1788, then 1,286 between 1789 and 1829, and 8,675 between 1830 and 1867 (Jansen 2000: 189). Jansen (2000: 190) points out that the changes in Japanese society made education important for commoners. The complexity of merchant management and the responsibilities that village leaders carried produced the rise in literacy and publishing. Private academies, commoner schools, and village schools came in response to those needs.

Jansen (2000: 191) also refers to *Masao Maruyama*, who was an influential political scientist and once characterized Confucianism as “a set of categories through which people saw their world.” In *Tokugawa* times those categories began with loyalty. They went on to include obligation, duty, harmony and diligence. There was also assumed a basic reciprocity involved. Some have even

described this as a “covenant”. The moral posture of those above, shown in “benevolence”, would evoke an obligation (*on*) from those below; but in turn the respectful cooperation of the ruled imposed the obligation to be just on those above. The network of relationships that resulted extended throughout society and included ruler and ruled, master and servant, landlord and tenant, and of course lord and vassal. There were obligations on both sides.

In the feudal mode in the Western and Japanese societies, the people attached the highest value to the engagement in “agriculture”. On the other hand, they looked down on the engagement in “commerce and trade”. Yuasa (1967: 39) pointed out that in the typical “closed and self-sufficient” feudal economy, the basic *ethos* of economic agents was to the virtue of accepting the present condition as it is *enough* (not exceeding their own bounds) and sharing goods among the members -*Chisoku-Anbun*. Concretely, the virtue of “thrift” in “consumption” and the virtue of “charity” in “redistribution” were the most respected in the economy. Adequate attention to the process of “production” and “commerce and trade” had not yet been paid. The feudal mode is characterized by the need to operate much larger agricultural areas with a sparse population. Since the productivity of agriculture was subject to natural conditions, no other response was effective except the passive response to the scarcity of goods through the thrift in consumption and the charity in redistribution (Yuasa 1967: 65).

Having looked at the history of Western economic thoughts, the virtue of “thrift” was considered as the primary engine and the virtue of “diligence” as the secondary one for accumulating the capital and shifting to the mode of industrial capitalism, while the virtue of “honesty” in the process of commerce and trade was put aside. It is worth noting that the virtue of reciprocity and honesty, in contrast, had already obtained a firm foundation in the Japanese economic ethics in the stage of primitive commercial capitalism.

3. ISLAMIC BUSINESS ETHICS COMPARING JAPANESE TRADITIONAL ETHICS

Why was the Industrial Revolution totally missed in the Islamic economy? If the Weberian hypothesis on the protestant ethics as the spirit of capitalism is held, we may say that the Islamic ethics would not so greatly contribute to the rise of “industrial” capitalism. In other words, we may say that the virtue of “diligence and industry” which underpins the manufacturing and secondary industry was not so emphasized in the Islamic economy. Instead, we can hypothesize that the

Islamic economy may have nurtured their own virtue and *ethos* contributing to the rise of the “exchange economy” capitalism (as to the term, see Hicks 1969: 7) upon the tertiary and commerce industry.

In the Western medieval society, the prohibition of usury and the accusation on monopoly and speculative investment were emphasized as the business ethics towards the merchants. However, the Protestant ethics relaxed the prohibition of usury and the accusation on speculation in accordance with the rise of primitive capitalism, and did not emphasize on the virtue of honesty in the mode of industrial capitalism mainly based upon manufacturing. On the other hand, Islam is called as the religion for merchants (Books Esoterica 1995: 76; Ayub 2007; Çizakça 2011), in which Islam has restrain the freedom to engage in business and financial transactions on the basis of a number of prohibitions, ethics and norms. The bulk of the Islamic jurisprudence was written down by men most of whom were merchants. In the Islamic mode of transactions, *Shari'ah* has identified some elements which are to be avoided in commerce or business transactions. The prohibition of *Riba* (usury), *Gharar* (uncertainty) and *Maisir* (gambling) is the most strategic factor that defines invalid and voidable contracts and demarcates the overall limits which should not be crossed.

Islam recognizes the role of markets and freedom of individuals in business and trade. “After the goods are produced, these are consumed or used in the process of further production through the two main contracts, namely sale/purchase (trading) and leasing, that can be entered into by individuals, partnership firms and corporations. For understanding these transactions properly, Islamic jurisprudence provides other contracts/subcontracts along with detailed rules. ... The main principle governing permission to trade/exchange, subject to fulfilment of certain rules, and prohibition of *Riba*, games of chance or gambling and other illegal contracts is that all gains and receipts in exchange transactions must be accompanied by any consideration stipulated with free will and mutual consent of the parties” (Ayub 2007: 12). Apparently, Islam economics and Islamic rules are more concerned about the process of commerce and trade, that is, the tertiary industry through market mechanism, private property, self-interest and competition, rather than the process related to the primary and secondary industries.

The business ethics in the Islamic mode of transactions may be related to the civilized urban way of life at the birth of Islam. The holy Prophet had spent half of his life working as a merchant in Mecca, where the urban culture was flourished and the values for facilitating fair transactions among the merchants

in equal positions were shared (Books Esoterica 1995; Okawa 2008). As was mentioned earlier, Islam, a religion born in the Arabian Desert, where trade constituted the most important, perhaps even the sole economic activity, favours merchants, property rights, free trade and market economy (Çizakça 2011: xv). The values being shared among merchants may have developed the concept of contracting and the importance of respecting mutual property rights in the Islam community.

In order to understand some features of Islamic business ethics, let us shed light on one dimension of *Gharar*, one of the main prohibitions and business ethics in the Islamic economy. *Gharar* is related to incompleteness of contracting. The New Institutional Economics (NIE) and Transaction Cost Economics (TCE) have greatly contributed to building up a theoretical framework how the incompleteness of contracting increase the *transaction cost* of monitoring, resulting in the economic inefficiency (for instance, Arrow 1974; North 1981; North 2005; Williamson 1985). Incomplete contracting often brings risks of Williamsonian “opportunism” under the framework of NIE and TCE. In general, opportunism in terms of pursuing self-interest with guile involves subtle forms of deceit and refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse (Williamson 1985: 47). In their theoretical framework, the transaction cost is defined as the economic equivalent of *friction* in physical systems.

In the Islamic mode of investment and financial intermediation, *Jahl* - ignorance or non-clarity about the parties or their rights and obligations, the goods or the price - is considered as a part of *Gharar*. One should not undertake anything or any act blindly without sufficient knowledge, or risk oneself in adventure without knowing the outcome or the consequences (Ayub 2007: 61). The TCE tells us that “trust” may, not always but fairly often, play the role of *lubricant* for making the economic system run smoothly (Arrow 1974: 23). In other words, risks of Williamsonian “opportunism” can be reduced by mutual trust. Trust has been referred to as “attitudes and behaviour which indicate that each person is willing to rely on the other to act fairly and to take into account the other’s welfare”, as “solidarity”, and as “a belief in future harmonious affirmative cooperation”. “Contract negotiations and performance will likely take place more effectively if trust is present and is generated by the process” (Cohen and Knetsch 1992). One of the invaluable insights of Kenneth Arrow is to point out that trust has a large and measurable economic value and has an

important bearing on economic organization. “Ethical elements enter in some measure into every contract; without them, no market could function. There is an element of trust in every transaction; typically, one object of value changes hands before the other one does...” (Arrow 1974: 24).

In the Islamic mode of investment, *Shari’ah* is considered as the cornerstone of Islamic financial products and services. In theory, if all the concerned parties in the mode share a common belief in future harmonious affirmative cooperation (mutual trust) with *Shari’ah* compliant, the transaction cost of drafting and contracting would be very low, because it would be enough to insert a “general clause” of promising to sincerely negotiate against any future event for mutual benefits. Arrow insists that the efficacy of alternative modes of contracting and monitoring would vary among cultures because of differences in trust. To some extent, cultural factors are related to the degree of trust relations. However, we would say that the degree of trust even in a particular culture or society could rather vary. “Most of us operate in some middle realm where we admit social claims, sometimes forget about them for long stretches of time as we go about our daily private role, sometimes rise to an occasion, sometimes fall miserably short, as we assert our individuality in contexts that are not totally appropriate” (Arrow 1974). Operationalizing trust, no matter how it is defined, has proved inordinately difficult (Williamson 1985: 406).

From the Williamsonian “opportunism” perspective, we may say that the cooperative mode of economic organization, where trust and good intentions are generously imputed to the membership, has its weakness in being endowed with few organizational responses to the debilitating effects of *opportunism*. “Such organization are easily invaded and exploited by agents who do not possess those qualities” (Williamson 1985: 64–65). Transactions that are subject to *ex-post* opportunism will benefit if appropriate safeguards can be devised *ex ante* (Williamson 1985: 48). We should note that, in other words, if safeguards are not sufficiently devised *ex ante*, opportunism would possibly emerge as a troublesome source of behavioural uncertainty in economic transactions. In this sense, we may say that the dimension of the prohibition of *Gharar* in a context of encouraging the parties to pay best efforts to clarify the terms and essences of contract in the Islamic economy can be understood as an effective institutional setting for minimizing the occurrence of *ex-post* opportunism.

“Having faith is like a *profitable transaction*; participating in the struggle of the Prophet is like *giving a loan* to God; each Muslim has a *covenant (contract)* with God” (Çizakça 2011: xv). The Muslims believe that *Allah* buys Muslims’

lives and properties and sells them, in return, the paradise. However, in order to spend one's property in this way, property has to be earned first. Çizakça (2011) seems to refer to this faith as the spirit of Islamic "commercial" capitalism, in terms of the rise of the "exchange economy". "It is believed that an *honest* merchant struggling to earn and enlarge his assets legitimately will be exalted and shall join the ranks of the martyrs" (Çizakça 2011: xv). The importance of honest work is confirmed by the Qur'an. The Prophet is reported to have said, "legitimate work for oneself and family is nine-tenths of worship" (Çizakça 2011: 18).

As for the redistribution of wealth, Çizakça (2011) points out that accumulating wealth through *halal* actions is perfectly legal and no upper limit is imposed on such wealth except the *zakat*, one of the five pillars of Islam, which was imposed (generally, at 2.5 per cent on those who possessed at least 200 dirhems of silver. See Okawa 2008: 165). However, "massive wealth circulating forever among a few is considered as a great sin" (Çizakça 2011: 21). The Muslims are expected to redistribute the wealth, preferably through voluntary means. But if such redistribution is not realized, the state (or the Apostle) will interfere them. Çizakça (2011) refers to the essential characteristics of a "proto-quasi-socialist" perspective which is different from Marxist socialism. He points out that Islamic quasi-socialism does not aim at a revolutionary class conflict, but at creating a "justly balanced" society as stated in the Qur'an 2: 143¹⁾ and 59:7²⁾ (Çizakça 2011: 24).

As Yuasa (1967) pointed out, in order to capture the law of economic behaviour and actions in our society, we should look closer at the human as economic agents who take actions at their discretion in accordance with their own subjective ideals. If these subjective ideals are created and pursued by the virtues being respected in each economic mode of production and redistribution, it is important to compare the virtues embedded in each economic system to find different (or similar) *ethos*. Furthermore, it is also important to consider if the Japanese traditional *ethos* and the Islamic one can provide a viable alternative

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- 1) "And thus have We made you a nation exalted and justly balanced so that you may be a guiding example for all people (by carrying to them what you have learnt about Islam), and this perfect messenger (of God) may be a guiding example for you. ..."
 - 2) "Whatever (property and wealth) *Allah* has given to His Messenger without warfare as spoils, (taking it) from the dwellers of the towns, it is for *Allah*, His Messenger and for the near of kin and the orphans and the needy and the wayfarer. (It has been) so (ordained) that the (wealth) should not circulate (only) among rich people. ..."

economic mode to humanity.

In the traditional Japanese mode of production “mutual trust” played an important role as a lubricant restraining the transaction cost of contracting. It follows that the outcomes observed in the Japanese relation-based mode were sensitive to the degree or changing nature of trust. Ronald Dore, a famous Japanologist, refers to “systemic cohesion” as a feature of the Japanese model that comes from what one might call “psychological consonance” (Dore 1998: 777). He identifies the following behavioural dispositions within the system: (1) the willingness to enter binding long-term commitments, implying a very moderate degree of liquidity preference; (2) greater concern for long-term stable rewards than for short-term gains; (3) a concern for the emotional and moral quality of the social relationships involved in economic transactions, the friendships and the mutual obligations they generate, as well as their material profitability; (4) a tendency to view group solidarity as an important ingredient of that emotional and moral quality – the relevant “group” being, depending on context, one’s department, one’s firm (ironically we can recall a series of accounting fraud and cover-ups in the past, particularly in the 1990s), one’s industry (a series of scandals of bribery between the regulators and the regulated in the financial or construction sectors in the 1990s), one’s nation; and (5) the egalitarian perception that group solidarity becomes impossible if inequalities, either of material reward or of respect, become too wide. From time to time, a high-trust society may fall into a kind of exclusivism.

According to Yuasa (1967: 170), the virtue of “honesty” must be with the following behaviours; first, we should promise and take actions upon the recognition of the precise limits of our own capacity and ability. Second, we should abandon such a feeling that I am a good man though the others are not, then should thoroughly recognize that all of us are susceptible to evil temptation. Third, from a long-term and wider perspective, we should have a firm belief that the most powerful economic power lies in the real ethics. Then, we should live a life of courage, while understanding the others’ positions and feelings, to respond to unjust and wrong affair and to calmly persuade them. These behaviours act as a seedbed for a higher sense of ethics based upon the individualism and the individual’s social responsibility.

More economists have recently come to be concerned about the well-being from the household’s perspective. There has emerged a new trend of placing the higher priority to improving our quality of life (QOL) rather than to maximising the profit or the rent opportunities from the producer’s perspective. The way

of improving the QOL is related to the realization of subjective ideals in each person, at the aggregate level, in each society and each nation. Needless to say, the subjective ideals vary. Therefore, it is extremely difficult to propose a viable alternative economic mode because such a mode can only be constructively adapted through a process of trial and error. We have argued that the subjective ideals sought in the traditional Japanese society and the Islam society have a different dimension from the Protestant ethics that worked as the spirit for the rise of Western industrial capitalism. Yuasa's insightful approach to economics by analysing the economic agents' subjective ideals and by clarifying their "ethics" in terms of the structure and principles in the human behaviour and actions has not got much attention from the contemporary economists. The approach should be more argued in the process of trial and error to find a viable alternative system to our economic sustainability and humanity.

4. OTHER REMARKS ON THE JAPANESE EGALITARIAN SOCIETY

Egalitarianism attracts much attention amongst contemporary political theorists. And, as Holtug and Lippert-Rasmussen (2007) point out, yet it has turned out to be surprisingly difficult to provide a fully satisfactory egalitarian theory. Let us have a look at some features of the Japanese egalitarian society. We begin with the hypothesis by *Shichihei Yamamoto* of explaining the tendency for the Japanese to regard the classless social structure as one of social ideals. Although he was not an academician, he is well known as an intellectual who contributed to the study of the Japanese way of thinking and decision-making through his many writings.

Yamamoto (1997) refers to "*seiden-sei*" (*jǐngtián zhìdù*) as a root of creating the classless social structure. *Seiden-sei* is an ancient Chinese land system referred as an ideal system by Mencius (*Meng zi*). According to Mencius, the unit of "*Sei*" which is the square one "*Ri*" (approximately 405 meters in length) should be divided into nine equal parts. They make the centre slot as the "public" field, while equally allocating the surrounding eight slots as "private" fields to eight families (see figure 1). These eight families collectively cultivate the public field for paying the tax imposed.

Figure 1: A concept of “*seiden-sei*”

<i>Private</i>	<i>Private</i>	<i>Private</i>
<i>Private</i>	<i>Public</i>	<i>Private</i>
<i>Private</i>	<i>Private</i>	<i>Private</i>

Yamamoto (1997) points out that the ancient Japan imported the concept of “*seiden-sei*” from China and implemented, or at least tried to implement it under the land law of “*handen-shuuju*”, and that several thinkers in the Tokugawa (*Edo*) period drew a kind of Japanese egalitarianism upon this concept of *seiden-sei*. Yamamoto’s hypothesis entails further clarification. However, it is worth noting that the Japanese seem to have the tradition of regarding the equality in the initial endowment as one of social ideals and goals.

Francis Fukuyama is also a well-known scholar who sheds an analytical light on the unique feature of the Japanese society. According to his celebrated book, *Trust: The Social Virtues and the Creation of Prosperity*, the Japanese *ie* (usually translated as “households”) is “more like a trust for the assets of the household, which are used in common by family members, with the head of the household acting as chief trustee” (Fukuyama 1995: 172). Fukuyama argues that Japan has been a “high-trust” and “group-oriented” society, simultaneously points out a unique feature of a solidarity-driven society. According to him, what is important is the continuity of the *ie* through the generations. “It is a structure whose positions could be occupied temporarily by the actual family acting as its custodian. But these roles do not have to be played by biological relatives” (Fukuyama 1995: 172).

For example, the position of household head is usually passed from father to eldest son, but the role of eldest son could be played by any outsider to the family, provided he had undergone the appropriate legal procedures for adoption. In Japan, in sharp contrast to China, the practice of adoption of non-biological outsiders is both widespread and relatively easy. ... Not only was it possible to adopt a son, but there was a certain wariness against the dangers of lazy or incompetent sons. Evidently it was fairly common to pass over a biological son who for one reason or another was deemed unfit

to succeed to leadership of the *ie*, in favour of a total stranger. This practice was more common in premodern times than since the Meiji Restoration, particularly in merchant and samurai households (which had more assets to pass on)[...]. The rate at which natural sons were passed over in favour of adoptive heirs for such groups ranges from twenty-five to thirty-four percent. These sorts of practices were far less common in China (Fukuyama 1995: 172–181).

Egalitarians adopt a particular interpretation of the assumption of moral equality between persons. “They hold that persons should have equal shares of goods such as resources or welfare, or perhaps equal access to, or opportunities to obtain, these goods” (Holtug and Lippert-Rasmussen 2007: 2). The above episodes shed light on some unique features of the Japanese egalitarian society. First, it appears that the Japanese have the tradition of regarding greater equality in the initial endowment as one of social ideals. Second, it appears that the Japanese have the shared values and social capital upon which they are able to subordinate individual interests to those of the groups they belong to.

Jon Elster, a Norwegian influential social and political theorist, points out in his book, *The cement of society*, several features of “envy”, including the mechanism of “envy-avoidance”. The first urge of envy is not “I want what he has”, but “I want him not to have what he has, because it makes me feel that I am less” (Elster 1989: 253).

I may give to assuage the feeling of guilt that your envy causes me to have. I might even abstain from becoming superior in the first place, to prevent any envy from arising. [...] The social consequences of the private vice of envy depend on the reactions of the envied or potentially envied to the fact of envy. Envy-avoidance is closely related to witchcraft and, especially, to accusations of witchcraft. In many societies, successful people have been branded as witches (Elster 1989: 259).

According to Elster, successful people would rather not get too rich (or would donate their wealth to the poor) by the fear that they will be too envied, while the poor would try to prevent from getting too poor by the fear that they may be provoked into witchcraft (Elster 1989: 261). Elster asserts that egalitarian society results from a combination of envy and altruism, with the latter in turn being largely the effect of envy-avoidance (Elster 1989: 261). Envy and envy-

avoidance function as the glue and cement of binding people in society.

According to John Rawls, one of the most influential contemporary political philosophers, a rational individual under his (Rawlsian) ideal society is not subject to envy, at least when the differences between himself and others are not thought to be the result of injustice and do not exceed certain limits (Rawls 1971: 532). Rawls follows Kant's definition of envy as "one of the vices of hating mankind" (Rawls 1971: 532), which is collectively disadvantageous: the individual who envies another is prepared to do things that make them both worth off, if only the discrepancy between them is sufficiently reduced. Rawls argues that a well-ordered society is unlikely to give rise to feelings of envy, partly because material inequalities are likely to be relatively small (Elster 1989: 253). However, we do not always live in a well-ordered society. To a certain extent the mechanism of envy-avoidance may have created a particular ethics on consumption while binding people in society.

The tendency to seek the levelling down equality (also to respect altruistic behaviours to others) in the seemingly *telic* (teleological)³⁾ egalitarian society often referred to as a social feature of Japan may be related to the mechanism of envy-avoidance. Nevertheless, it seems that some economic behaviours were more related to their subjective ideals or belief in the Buddha's teaching for training themselves (*kokki*) to have religious enlightenment. As was argued earlier, most people in the Middle Ages in Japan as well as the Western societies were in a sense of ethics such that the real meaning in human life can be found in the religious salvation, therefore felt the economic benefits can bring only the ancillary meaning in life (Yuasa 1967: 37).

The recent trend - the so-called "*marketization plus financialization*" (Ronald Dore) - in encouraging people to quantify the objective value of goods and services so that they may not pay more than the value they consume has changed their subjective ideals for economic behaviour in Japan. They used to be the followers of Buddha's ethics with modesty to buy modest goods and to train themselves (*kokki*) to deserve the goods, but they are becoming merely "utility maximizers" occasionally with some arrogance based on the market price.

Though we have a vague feeling of uneasiness from the tread of

3) It is worth noting a distinction between what Derek Parfit (1991) has called teleological (*telic*) and deontological (*deontic*) egalitarianism. Telic egalitarians think inequality is in itself (or intrinsically) bad. Deontic egalitarians do not. For, unlike telic egalitarians, deontic ones would seem to have no objection to natural inequalities or to inequalities between people living in different communities that do not interact with one another.

financialization, it is not easy to propose a viable alternative economic mode because we cannot resume the old mode of production and redistribution. However, we can review the elements in the old mode to be resurrected for proposing a viable alternative mode. We can recall Yuasa's insightful perspective such that we should have a firm belief that the most powerful economic power lies in the real ethics. We should live a life of courage, while understanding the others' positions and feelings, to respond to unjust and wrong affair and to calmly persuade them. These behaviours act as a seedbed for a higher sense of ethics based upon the individualism and the individual's social responsibility (Yuasa, 1967: 170). A viable alternative economic mode can only be constructively adapted through a process of trial and error in socializing subjective ideals.

5. CONCLUDING COMMENTS

From a historical perspective, a large number of individual Islamic scholars and thinkers of the Middle Ages developed a number of branches of knowledge, including economic principles, that can be considered as the basis of the modern political economy and economic thought. According to Ayub (2007), the Medieval Age was considered the golden period of Muslim history. However, in the subsequent era the Muslim civilization began to wither with intellectual regression. "The regression continued until the British and French instigated rebellion against Turkish rule and brought about the downfall of the Ottoman Empire, the last Muslim world power, replacing it with European colonies" (Ayub 2007: 11).

It was Okawa Shumei (1888–1957) who asserted the need of cooperation with the Muslims for Japan to fight against the Anglo-Saxon imperialism over the Asia before the World War II, aiming to realize the resurrection of Asia under the Pan-Asianism. Okawa (1922) investigated the political and social problems facing to the Muslim countries colonized by European countries. He was very concerned about the relations between politics and very firm religious belief in Islam (Okawa is also known as a pioneer to translate the Qur'an into Japanese). He expected the emergence of the Muslim League to resist up-front against the Anglo-Saxon colonialism.

Okawa's Pan-Asianism lost its historical significance as the right of national self-determination became highly respected in the international community after the World War II. However, some elements in his thought are still suggestive under the force of globalization (or *financialization* as mentioned earlier) in

terms of the convergence to the Anglo-American mode of business even in the contemporary world. As mentioned, the Muslims accounted for 22.9 per cent of the total population in the world in 2009. Furthermore, the Muslim population is continuously increasing. It means that more people in the world will respect the Islamic principles and business ethics. Japan as a member of Asia should play a role of creating balance and harmony in the world composed of various types of people including the Muslims and the Anglo-Saxon Protentants.

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