

《研究》

Social Background of Zaibatsu
in Japan

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I

The characteristics of the zaibatsus in Japan have been discussed in various ways, but I came recently to feel a better understanding of the zaibatsus in the following points:

First of all, in the center of the zaibatsu's business was the zaibatsu family as an investor, and in many cases we can find in one business plural families belonging to the same ancestry. These families heavily invested in their holding companies and exclusively controlled them without inviting outsiders. On the other hand, these holding companies controlled many subsidiaries (directly or indirectly affiliated).

Secondly, these subsidiaries were organized by the zaibatsu family and belonged to various industries. Most of them were oligapollistic enterprises ranking in the top class of each industry. Contrary to the holding companies' being either unlimited or limited partnerships, all of the subsidiaries took the form of a corporation. Most of the zaibatsus completed forming such organizational structures by around 1920 (1909-1921).

II

There are two types of zaibatsu families: one is the old merchant families (the Mitsui and the Sumitomo) which appeared in the seventeenth century and took business opportunities in the Meiji era after their temporary decline through the period of the Meiji Restoration, and the other is the new merchant families (the Mitsubishi, the Yasuda, the Furukawa, the Asano and the Okura) which grew after the Restoration.² Regardless of these origins, there was a general tendency for the capital funds of the zaibatsus to become the common property of the family.³ That is, son who had inherited business interests from the originator could not dispose of them, although they were given the right to receive profits from the business. Accordingly, we can see the zaibatsu's capital was the common property of the family. Among the merchants in the Edo period, there were some who used supplemental funds offered by subordinates such as managers (*bekke* or *banto*) or branch families (*bunke*), but after the enactment of the Commercial Code in 1893 and the Civil Law in 1898, the zaibatsu family came to dislike the use of managers' money, wanting to be the sole investor in the business. Since the relationship between employers and employees before the enforcement of these laws was just like that of lord and vassal, the managers and the branch families had only an imperfect ownership of their subscribed funds in the Edo period. As a result, their investment did not threaten the master's right to control the business. After the enforcement of the laws denying such a lord-vassal relationship, the zaibatsu family came to dislike the investments of the subordinates, and eventually the interests of the latter

were bought up by the former. To tell the matter minutely, the employed manager, the *banto*, had not the perfect right in investing money to the owner's (lord's) enterprise. For instance, in case of bankruptcy, the *banto's* money was treated like the owner's. In recovering his money he could not put the case to the court. By the enforcement of the Civil Law and the Commercial Code, the *banto* had become to have the perfect right in a modern sense as the investor in the case of the investment, and as the creditor in the case of lending money. So the owner became to avoid to utilize his money. When the employed manager became to have the right as the investor in addition to the real power of management, it was feared that his position became too strong, and the owner's position became too weak.

Nevertheless, the family members of the zaibatsus could not freely use the ownership of their property because of the family code prohibiting the disposal of property. The purpose of the family code, which was handed down from generation to generation, seems to have had two effects: one was protection from injury toward the family business by incapable family members, and the other was the joint utilization of divided family funds. In fact, under the social circumstances of the time, in which the mobilization of outside funds without fearing of losing control of the business was difficult, the best way to concentrate capital was not to diffuse the property which might have been divided through inheritance.³

III

Since it was a tradition for big merchants in the Edo period to

restrict themselves as investors and to trust the executive jobs of the business to hired managers (vassals), the employment of professional managers with a modern sense and high education, was one of the indispensable preconditions for success in the Meiji period especially shortly after the Restoration's unprecedented social upheaval. However, the Japanese society of the time had ample human resources for business, which partly came from the disintegration of the feudal regime leaving many able *samurai* men. In fact, these ex-*samurai* managers contributed great deal to the development of Japanese business led by the zaibatsus as shown by many cases of hired managers. Undoubtedly, they devoted themselves to business motivated by the ideal that the development of the zaibatsus would result in the increase of the nation's wealth.⁴

IV

Until the end of World War I, the central offices of the zaibatsus could meet the demand for funds from their affiliated enterprises, but after the war, as the size of business became bigger, the need to use outside funds took place and a part of the increased capital of the directly affiliated enterprises began to be recruited from the people's money. Nevertheless, the central offices of the zaibatsus were tightly closed to society in terms of stock holding, and it was just before the outbreak of World War II that the central offices switched their organizational structure from partnerships to corporations. This change in the legal form was seen as the zaibatsu's response to the changing environment of the time. In addition to the requirement for additional funds for the increased

investment in affiliated enterprises related to the military purposes and for the increased payment of inheritance taxes and income taxes caused by tax reform after 1935, they had to answer the criticisms of society as well as of the military circle. They criticized the zaibatsus as not being cooperative to the national policy and pursuing only their own self-interests. The introduction of corporate forms to the central offices was for the purpose of meeting these dual pressures. In case of the partnership or the limited one, the central offices could not get money in mortgaging the stocks, and could not issue the debentures too. So in procuring the money to meet the demand of war industries, they had to revolutionize the forms of their central offices. On this occasion, a part of stocks of the central office was offered to the public, though those who could buy them were restricted to either officers and employees of the zaibatsus or the affiliated companies. They were afraid of the interferences from the outside member among stock-owners. So they tried to limit the stock-owners only for the zaibatsu family and their employees. Despite such limitations, it was an important first step toward the public offering of the stocks of the central offices. For, from this time on, as the demand for funds created by the development of heavy and chemical industries connected with military purposes increased, the zaibatsus gradually softened their closed financial characters, and at the same time, the right of the family members to dispose of their stocks seems to have been expanded.

V

Now, I would like to discuss the strategy of the zaibatsu

enterprises from the point of view of business diversification. As far as published studies on the zaibatsu's business are concerned, diversification in unrelated business fields was a feature of the zaibatsu's enterprise. That is to say, if we divide diversification into two categories: vertical diversification such as iron mining-iron manufacturing-steel manufacturing, and horizontal diversification such as banking-merchandising-mining, the latter was supposed to be a more conspicuous phenomenon in the zaibatsu's strategy, although among the new *Konzern* type of zaibatsus which emerged after 1920's we can find some cases of vertical diversification especially in the electro-chemical industry. I translated Japanese terminology of diversification into English directly. So I think these concepts of diversification are a little different from those generally used in the United States.

It is true that old established zaibatsus such as Mitsui, Mitsubishi and Sumitomo seem to have diversified into unrelated fields of business, but if we check them thoroughly, we can find in many cases that they were either closely related to each other or to the field in which they could enter with confidence through their past experience. For example, the Mitsui family put their domestic trade and foreign trade together, organizing in 1876 the Mitsui Bussan (trading) Company, then this trading company acquired in 1888 the government owned Mi-ike Coal Mine to organize the Mitsui Mining Company, and this diversification can be explained by the fact that the Mitsui Trading Company had been profitably trading the Mi-ike coal for years, so felt it desirable for the company to acquire the coal mine. At the same time, the Mitsubishi wanted to get the Mi-ike Coal Mine. In case of this it was supposed that the

Mitsui Bussan (trading) Company would lose the profit of the export of Mi-ike coal. Similarly, the Mitsui Bank established in 1876 was the reorganized family's financial institution named *Goyôsho* which had been handling government money since 1866, and again the *Goyôsho* had been a separated division of Mitsui's exchange house with a long history. In such a historical context, banking, trading and mining were closely related in Mitsui's business, even though they seem to be unrelated at first glance.

Starting with a shipping business, Mitsubishi operated two coal mines which they held as a mortgage on a loan, and used coal from these mines for their ship's fuel. In 1875 Mitsubishi established the Yokohama Iron Works to mainly repair their own ships, and eventually acquired experience in shipbuilding, although through a joint venture with the Boyd Company of England. In 1876, hoping for an advantageous position in shipping, which was then becoming more and more competitive, Mitsubishi opened an exchange office to draw on documentary bills, from which began the Mitsubishi Bank. In 1881, Mitsubishi finally acquired the mortgaged Takashima Coal Mine from Shôjirô Gotô, one of the most influential politicians of the time. Then in 1887, Mitsubishi purchased the government owned Nagasaki Shipyard which they had leased for three years. However, the shipping business of Mitsubishi had to be merged with the competing Kyodo Unyu Company. It was feared that both of these companies had to be bankrupted in severe competition. So the government tried to let both companies merged to save the Japanese shipping from the ruin. As the result of this merger, the Nihon Yûsen (Japan Navigation) Company was founded. Since then, Mitsubishi came to put more emphasis on mining and ship-

building, and went on to begin a real estate business.

As has been described, Mitsubishi diversified business into related fields as long as shipping was the main business of the company. In 1873, Mitsubishi bought the Yoshioka Copper Mine, but this was supposed to be one of the exceptions. Nevertheless, if we see the personal background of this purchase, it soon becomes clear that the copper mining business was by no means an unrelated one. It was Koichirô Kawada, an able partner of Mitsubishi, who suggested the profitability of the copper mining and eventually he was appointed as general manager of the mine. Kawada had already acquired knowledge concerning copper mining through personal contact with Saihei Hirose, the general manager of Sumitomo's Besshi Copper Mine. They were said to have met in 1868 when the Emperor's government newly established distrained Sumitomo's mine.

Sumitomo was left behind in the diversification. Since the family was in adverse circumstances at the time of the Meiji Restoration, except for copper mining, diversification of business was out of Sumitomo's scope. Expanding business related to copper export, they seemed to try to develop an export business but without success, and it was not until 1895 that they established their own bank, although they ran an exchange business in the Edo period. In Sumitomo, diversification took place from ventures relating to the Besshi Copper Mine, which included the metal manufacturing,⁵ heavy-chemical and electric industries.

VI

As illustrated in a few cases mentioned above, the Japanese

zaibatsus generally diversified their enterprises from either a main business or from one with enough experience, and were rather cautious in going into new and unknown fields. The fact that Mitsui never started manufacturing such chemical products as ammonium sulphate or rayon until the new zaibatsus demonstrated their successes in these new products would be evidence of Mitsui's timid attitude. Similarly Mitsubishi was so pessimistic toward the future of the automotive industry that they early ceased their car manufacture, even though they were one of the forerunners in the industry.⁶

As far as these new ventures are concerned, the new zaibatsus were far more progressive in their attitudes, and in fact, such firms as the Suzuki⁷ and the Nihon Chisso (nitrogen) pushed bravely into the heavy-chemical industry. Supposedly, the reason why the new zaibatsus were more active in newly risen industries than the established zaibatsus would be largely explained in terms of the loose structure of the family ties of the former group. The new zaibatsu was not so closed as the old one. In being closed, they could not have enough large capital.

Nevertheless, the problem of the leadership of the old zaibatsus would still remain. How could they become the most powerful factor in the development of the Japanese economy being exclusively supported only by zaibatsu families whose desire was only to protect their common property? Had the zaibatsu enterprises been managed as conservatively as the owners wanted, it would probably be inevitable that just like many of the merchants in the Edo period the zaibatsus in the Meiji period would have become out of date and been ruined. Nevertheless, the zaibatsus could find many able

young highly educated men with strong feelings of nationalism in the society. To hire such men and to delegate authority related to the management of huge enterprises was the only way to get rid of their weaknesses. The way in which the zaibatsus took leadership as well as making rapid progress in the course of economic development in pre-war Japan can largely be explained in this context, although as to the relationship between the zaibatsu families and the hired managers, further studies will be needed.

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なお三井・三菱などの初期の多角化については、多角的統合 lateral integration という概念で把握すればどうかと現在考えているが、これについては後日発表したい。