THE MITSUI ZAIBATSU TENKŌ, 1932-1936:
A DIVERSIFIED ANALYSIS OF THE MULTI-LEVEL REFORMS

By

Hyung Gu Lynn

B.A., The University of British Columbia, 1987

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS

in

THE FACULTY OF GRADUATE STUDIES

(Department of History)

We accept this thesis as conforming
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA

August 1989

© Hyung Gu Lynn, 1989
In presenting this thesis in partial fulfilment of the requirements for an advanced degree at the University of British Columbia, I agree that the Library shall make it freely available for reference and study. I further agree that permission for extensive copying of this thesis for scholarly purposes may be granted by the head of my department or by his or her representatives. It is understood that copying or publication of this thesis for financial gain shall not be allowed without my written permission.

Department of HISTORY

The University of British Columbia
Vancouver, Canada

Date AUGUST 28, 1989
ABSTRACT

In the prewar Japanese economy, the most dominant business entity was the Mitsui zaibatsu. This diversified, multi-corporate conglomerate was successful in business terms and in influencing government decision-making. In March 1932, the head executive of Mitsui, Dan Takuma, was assassinated amidst the waves of anti-zaibatsu reactions and the rise of ultranationalism. The assassination gave rise to the Mitsui zaibatsu tenkō (conversion) of 1932-1936, a series of reforms conducted by Dan's successor, Ikeda Seihin, which were intended to fulfill the public relations, business and political needs and objectives.

Previous studies on the Mitsui tenkō have focused most of their attention on one or two of the specific aspects, such as the business angle or the political implications. The six tenkō policies were designed to meet at least three objectives, and reflected the influence of Mitsui's historical precedents, long-term trends and developments, and abilities and predispositions of Ikeda. Therefore, the specialized approaches have accumulated to give a somewhat distorted view of the Mitsui tenkō. This paper is an attempt to analyze the six tenkō policies in all their implications and significances, through a multi-layered approach which involves an examination of the internal and external environment of 1932-1936, a chronological comparison with past precedents and influencing factors in Mitsui's history, and a comparison with other zaibatsu and Western big business.

The data available indicates that the Mitsui tenkō was caused primarily by external pressures, as opposed to internal financial difficulties. The six policies were, for the most part, dependent on precedents and Ikeda's abilities and experiences. The six policies were influenced by precedents in Mitsui's past, and by Ikeda's assessment of the external environment. Although the specific strategies were effective in meeting the three objectives of (1) improving public
image; (2) maintaining growth while retaining maximum ownership of subsidiaries; and (3) reorganizing political connections, as the objectives themselves were incompatible with the long-term self-interest of the firm when sustained under the prevailing external environment, the success of the strategies paved the way for the eventual breakdown of the zaibatsu holding company system. In addition, from the analysis of the tenkō, evidence and patterns were derived which indicated the tendency to lump all zaibatsu together, to treat 1932-1940 as one period, to exaggerate the differences between the objectives of Western and Japanese big business, and to downplay the role of the individual, were in varying degrees misleading for the further study of Mitsui and Japanese business history in general.
# TABLE OF CONTENTS

Abstract .......................................................................................................................... ii

Table of Contents .......................................................................................................... iv

List of Tables ................................................................................................................... vii

Introduction .................................................................................................................... 1

Notes ............................................................................................................................... 12

Chapter I: The Causes of the Reforms ........................................................................... 16

Part 1: External Pressures ............................................................................................. 16

(A) The Zaibatsu and Politics ..... 17
(B) Foreign Affairs ..... 20
(C) The Economy and the Depression ..... 22
(D) Mitsui and the Scandals of the 1930's ..... 24
(E) The Rise of Militarism and Ultranationalism ..... 27
(F) The Ineffectiveness of the Parties ..... 29

Part 2: External Pressures--Mitsui and Internal Factors .............................................. 31

(A) The Mitsui History ..... 32
(B) Mitsui's Growth and Size ..... 33
(C) The Mitsui Executives ..... 38
(D) Mitsui's Preeminence in the Economy ..... 37
(E) The Effects of the Depression on Mitsui ..... 45

Notes ............................................................................................................................... 52
Chapter II: The Shaping of the Reforms ................................................................. 67

Part 1: The First Four Reform Policies ......................................................... 69
(A) The Hō-onkai......69
(B) The Resignations of the Mitsui Family Heads......75
(C) The Removal of Yasukawa Yūnosuke......78
(D) The Retirement Policy......85

Part 2: The Kabushiki Kōkai ............................................................................. 86
(A) The Rise of the New Zaibatsu......87
(B) Demands for Funds......90
(C) Liquidity and the Kata-Gawari......95
(D) The Human Sources of the Kata-Gawari......101
(E) The Start of Mitsui Gōmei’s End......112

Part 3: The ‘Hidden’ Sixth Policy .................................................................... 115
(A) Mitsui and Politics, 1932-36......116
(B) Precedents for the Ryōmen Sakusen......122
(C) The Effects of the Ryōmen Sakusen......131

Notes .............................................................................................................. 136

Chapter III: Comparisons with Other Zaibatsu ......................................... 152

Part 1: Comparisons With Other Japanese Zaibatsu ................................... 152
(A) Mitsubishi......152
(B) Yasuda......160
(C) The Mid-Sized Zaibatsu......164
LIST OF TABLES

Table I-Total Value of Dollars Bought (in Yen) by the Major Purchasers 25
Table II-Mitsui Bussan's Domestic Transaction Value from 1921-27 to 1933 39
Table III-A Comparison of the Profits of Mitsubishi Shōji and Mitsui Bussan for 1927-1933 40
Table IV-A Comparison of the Net Profits of Five Zaibatsu Mining Companies 41
Table V-A Comparison of the Deposits Held by the Big Five Banks 43
Table VI-Net Profits of the Big Four Zaibatsu Holding Companies 45
Table VII-Amount of Mitsui Gōmei Dividend Revenues Derived from the Mitsui Bussan, Mining and Bank 48
Table VIII-Companies Which Received Mitsui Capital Investments and Increased Their Paid-up Capital in 1933-36 93
Table IX-A Comparison of the Manchurian Investments of Six Zaibatsu 95
Table X-Mitsui Gōmei Total Expenditures and Net Profits in Yen-1931-1936 96
Table XI-Securities Investments of Mitsui Gōmei, Bussan and Kōzan 98
Table XII The Net Profits of Five Mid-Sized Zaibatsu Holding Companies in Comparison with Mitsui Gōmei 164
INTRODUCTION

At around 11:05 AM on the 5th of March, 1932, as Baron Dan Takuma, the head executive director of the Mitsui zaibatsu, stepped up to the main entrance of the Mitsui Bank Tokyo Head Office, he saw a young man approaching him from his right. As the man neared, suddenly, he leapt at Dan. He jammed a Browning revolver against the Baron's chest and fired twice. Dan fell. The young man dropped the gun, and stepped back to let the bodyguard overpower him. Dan was rushed to the fifth floor dispensary, room 365 of the Mitsui Bank Building, where ten leading physicians attended to him. But Dan's aorta had been pierced; at 11:45 AM, at the age of seventy-five, Dan Takuma died. The young man was Hishinuma Gorō, a member of the Ketsumeidan (Blood Brotherhood League), one of several civilian ultranationalist groups which had grown increasingly virulent in the early 1930's. The creed of the Ketsumeidan was "one man-one life." This murder was but one of a number of assassinations of major political figures during 1930's Japan. Prior to Dan's assassination, then Prime Minister Hamaguchi Osachi had been shot in Tokyo Station on November 14, 1930, and Inoue Junnosuke, a Minseitō leader and former Finance Minister, had been assassinated on February 9, 1932 while electioneering.

Dan's death has been described by one writer in the following words: "As one falling leaf signifies the onset of fall, this incident [Dan's death] was a powerful harbinger of the autumn of the zaibatsu enterprise structure." Whether or not the zaibatsu leaders themselves perceived the events in those terms, certainly they realized the seriousness of the situation. Sentiments towards the zaibatsu and party politicians were moving inversely to those for ultranationalist groups, which
were growing more popular and influential. The murder of their top executive and the general anti-zaibatsu atmosphere of the 1930's resulted in Mitsui eventually appointing Ikeda Seihin as the new executive director of Mitsui the holding company, Mitsui Gōmei (Mitsui Unlimited Partnership), and undertaking a reform program known popularly as the 'zaibatsu tenkō.\(^3\) The tenkō \(^4\) (conversion or about-face) consisted of several policies\(^5\) designed to deflect the criticism directed at Mitsui:

(1) Mitsui Hō-onkai (Repayment of Kindness Society), a charitable organization, was established.

(2) Mitsui family members resigned from the presidencies of the direct Mitsui subsidiaries.

(3) Executives with poor public images were dismissed.

(4) A mandatory retirement age limit was put into effect.

(5) Some of the shares of Mitsui's related companies were offered for 'public sale' (kabushiki kōkai)\(^6\) on the stock market.

(6) Ties to ultranationalist groups and individuals were either established or strengthened while ties to political parties were loosened.

This paper will attempt to analyze the public relations, political and business objectives of the reforms of the Mitsui zaibatsu from 1932 to 1936, and the strategies used to attain those goals, in terms of the specific causes, influencing factors, and sources of the six tenkō policies. Although the public relations, business and political objectives and strategies of the Mitsui tenkō were all interrelated, some of the six strategies emphasized one objective over others. Broadly, policies #1 through #4 were primarily intended to improve Mitsui's public image, policy number #5 was mainly designed to meet the business goals, and strategy #6 addressed the political objectives.
Previous studies of the Mitsui zaibatsu tenkō have either approached the tenkō policies from specific angles only, such as business history or political history, or have been very brief generalizations with insufficient documentation. As an example, policy #6, which was not publicized at the time, is not usually included in the discussions of the Mitsui tenkō, but rather, studied almost exclusively in biographical works on Ikeda or Kita Ikki, or has not been studied in conjunction with a detailed analysis of the publicized policy measures. However, it would be an oversight to exclude political connections as a key element in the whole Mitsui tenkō process in that viewed in its entirety, the Mitsui tenkō was a "change in direction" generated by both political and business considerations. Conversely, policy #5, the kabushiki kōkai, has been the focus of several business histories written in Japanese, giving the impression that the sale of stocks was the essence of the tenkō.

Rather than analyze the Mitsui tenkō from one specific perspective, this paper will attempt to analyze the tenkō as an entirety. My general conceptualization for the paper was to view the tenkō as a circle (or a dot) in history, and this paper as an attempt to cover a sufficient number of the 360 degrees in enough depth to reach an understanding of the Mitsui zaibatsu tenkō on the basis of the maximum amount of relevant and available evidence, not merely on the basis of conjectures, strict paradigms or heuristic generalizations. For example, the Mitsui tenkō appeared to be a unique occurrence in the history of Mitsui and zaibatsu in general. However, in order to place the political and business 'conversions' in proper context, comparisons with Mitsui's past history and precedents, as well as comparisons and contrasts with the policies of the other zaibatsu during the same time period, should be made. Such an approach shows that many of Mitsui's strategies were based more on tradition than on innovation.
The overall analysis will be undertaken by addressing the following interrelated questions:

(I) What caused the Mitsui tenkō or reforms in the first half of the 1930's: were they from (A) external (political and public) or (B) negative internal sources (financial difficulties)?

(II) (A) What were the various policy measures of Mitsui's reforms of the 1930's?; (B) what were the objectives and incentives; (C) what precedents, individuals and circumstances shaped the direction and form of Mitsui's six reform policies?

(III) How did the conditions and Mitsui's response compare with the experiences and strategies of: (A) the other zaibatsu such as Sumitomo, Mitsubishi and Yasuda during the same time; and also (B) some Western conglomerates and konzern in the U. S., Britain, and Germany in the 1930's?

The reason why Mitsui was forced to undergo a tenkō was for external reasons rather than internal ones. Dan's assassination was an essential catalyst for the tenkō. Had it not been for the mounting criticism and the violence from the military and civilians, there would have been no incentive or cause powerful enough to force any kind of 'conversion' in Mitsui's political connections and capital expenditures, especially not the kind of reforms eventually implemented by Ikeda. Due to its perceived and real business and political successes during the 1920's and the early 1930's, Mitsui was the bete noire of the civilian extremists, the general public, military factions, and leftists. Political and economic developments on the domestic and international scenes created external conditions which increased the discontent directed against Mitsui and gave the military factions opportunities to increase their respective de facto political power.

The six elements of the Mitsui tenkō served both political and business purposes. The public relations goal was the improvement of Mitsui's image with
the general population, the military, and the civilian ultranationalists, in order to deflect criticism and terrorist attacks. The business goal was the facilitation of continued growth of the Mitsui zaibatsu while retaining control of as many of its key subsidiaries as possible. The political goal was the retention or establishment of good relations with the wielders, or potential wielders, of political power, in an attempt to adjust to the external environment to maximize Mitsui's long-term survival and prosperity.

The main factor which shaped the public relations and political strategies of the tenkō was Mitsui's position within the larger system. Its role as a target necessitated moves to improve its public image and mollify extremists. Many of the other specific factors which shaped the direction and form of the political reforms were rooted in precedents Mitsui's history. Precedents existed for almost every single tenkō policy. The pattern of zaibatsu-building, owner-manager differences, conflicts among the executives, and the history of the relationship with the government before the 1930's, all served as guiderails to Mitsui's reforms. During the Meiji Restoration, the only other time of systemic crisis than the 1930's in Japan's pre-war modern history, precedents for the the ryōmen sakusen (Janus-headed strategy, double-faced strategy) and other patterns were set which were continued in the 1930's. The policy designed to meet the business objectives, the kabushiki kōkai as a "kata-gawari " (literally, substituting shoulders-meaning to take someone else's load on one's shoulders). or a prototype of the full-scale interlocking shareholding used by the post-war keiretsu (post-war enterprise groups), was an effective method of dealing with the objectives of 1933-36. There were no precedents for the horizontal dispersal of stock control in Mitsui's history; thus, it can be said that Mitsui's interpretation of a "kōkai" was innovative. However, in effectively satisfying the objectives of 1933-36, the kōkai created the foundations for the eventual breakdown of the effectiveness of Mitsui Gōmei as a holding
company. This was due to rapid changes in the external environment after 1937, the outdated objectives themselves, and Ikeda's willingness to discard previous policies in pursuit of what turned out to be short-term goals.

As for the other zaibatsu, Mitsubishi, the second largest, was the subsidiary target of anti-zaibatsu attacks. Although not subjected to as much criticism as Mitsui, Mitsubishi was clearly ahead of all other zaibatsu on the early 1930's unpopularity list. Mitsubishi underwent a tenkō of sorts, but its reforms seem to have been limited to public relations and business management priorities rather than political ones. Of the other big zaibatsu, Sumitomo was exposed to some criticism in the first half of the decade as well; nevertheless the common perception is that the Big Two took the brunt of the anti-zaibatsu attacks, while the others, especially Sumitomo, stood on the lee side. The developmental histories, and the financial weaknesses in comparison to Mitsui, accounted for the less 'political' nature of the reforms evinced by most other zaibatsu. A brief and general comparison to behavior of the Western big businesses in the 1930's shows differences and similarities, especially in the area of corporate philanthropy or relations to the external environment, and in political strategies.

Through the combination of the analysis of the Mitsui tenkō and the brief comparison of Mitsui's reforms to the behavior evinced by some Western big businesses in the 1930's (in Chapter III), some other propositions can be made.

First, the study of the Mitsui zaibatsu tenkō indicates the inaccuracy and impracticability of treating all zaibatsu as a unified bloc of conglomerates with the same business and political strategies. The comparisons between Mitsui's behavior and the reactions of the other zaibatsu shows the variety in the responses and the relationships of each individual zaibatsu to the conditions which existed in Japan during 1932-1936. The Mitsui zaibatsu tenkō was a Mitsui reform, not an across-the-board zaibatsu conversion.
Second, the differences in the motivations which propelled the operations and decision-making of Western conglomerates and the Japanese zaibatsu, although based on existing dissimilarities in cultural value priorities, have nevertheless been somewhat exaggerated. Both group-oriented behavior and individualistic profit-maximization were and are essentially based on the same foundations of a desire to enhance the long-term self-interest of the business entity (the "long-term self-interest" of a business entity being the attainment of longevity, security and stability of the company, which would maximize profits over the long-run, and the displaying of behavior consistent with the principle of long-range ethical-egotism). Western and Japanese 'types' of strategy or second-level goals had significant differences, but both were 'rational' approaches to the pursuit of the first-level goal of maximization of long-term self-interest. However, this is not to claim that Marxist historical materialism dictated the Mitsui reforms, or that all firms and conglomerates must 'progress' and converge toward the American forms of the corporate system and 'democratized' economy.

Third, at the other extreme, the emphasis on the organizational structure, the standardization of decision-making processes and channels, and the application of 'scientific' analysis of managerial systems, has resulted in the underestimation of the impact of the individual(s) operating within that structure. This is not to deny the importance of taking into account both management systems and the cultural environment, nor is this an attempt to revive the 'unfashionable' "Great Man" theory of history. However, whatever the situation may be for firms in the post-war years and in the future, in the pre-war Mitsui zaibatsu, in times of real or perceived periods of major crisis or reform, an individual executive was always appointed, or rose, to be the sole helmsman of the Mitsui ship. There is a Japanese saying which observes, "Too many captains will sail the ship up a mountain." As the nexus between the cultural values of the larger pre-war
Japanese society and the management structure of the zaibatsu, the predispositions and the abilities of the head decision-makers, such as Minomura Rizaemon, Nakamigawa Hikojiro, Masuda Takashi, Dan Takuma and Ikeda Seihin, and the internal rivalries and conflicts, were important in shaping Mitsui's course.

In terms of the periodization of the Mitsui tenkō, although the background of the 1920's is essential to an understanding of the Mitsui tenkō, since Dan's death, as the most visible manifestation of the convergence of external pressures, was the catalyst for the tenkō, 1932 can be classified as the start of the tenkō. Although Ikeda Seihin was not appointed the sole head executive director of Mitsui Gōmei until September 1933, even prior to that, Ikeda was the main force in the central decision-making process at Gōmei after Dan's death. Therefore, the actual tenkō policies were first seriously planned and implemented in 1932-33, and accelerated in 1933 after September. By the time of Ikeda's retirement in April 1936, all six tenkō policies had been established, and the decline of the Kōdōha (Imperial Way faction) of the military had been basically finalized after the 2-26 Rebellion. After the 2-26 Incident, the sense of rampant political terrorism dissipated, to be replaced by a transition period before full war-time government controls and the permeation of the economy by military priorities. The proliferation of government economic controls started from late-spring of 1937 to the outbreak of the China War in July 1937. After July 1937, government controls, military activities and the economic trends of 1932-36, intensified dramatically. As a result, the shape of the entire Japanese economy changed after 1937-38. Therefore, with both internal and external chronologies, the years 1932-33 to 1936-37 bracket a distinct stage in Mitsui's policies, the Japanese political scene, and the nation's economy in the build-up toward Pearl Harbor. Since the Showa Depression was not a direct cause, but rather, spawned reactions which in turn generated direct external pressure on Mitsui, it is misleading to place the start of the "end of the zaibatsu" at
1929 as Morikawa Hidemasa has done.\textsuperscript{13} 1929 may be more applicable to other zaibatsu because of the greater financial impact the Depression had on them, but as far as Mitsui is concerned, 1932 can be accurately viewed as the 'first leaf' in the decline and fall of Mitsui Gōmei's role as a holding company.

Before we begin, two more definitions need to be outlined. My definition of "\textit{seishō}" literally, political merchant, for this paper will be: an individual merchant or a business which receives benefits (either government contracts and subsidies, the purchase of government pilot factories, or political information, or access to government economic policy-making through advisory committees or personal ties) from those in political power, and uses its connections with the government to expedite the maximization of the longevity, long-term profitability and growth of the business. These connections to the government may be direct or indirect (i.e. through an intermediary), and \textit{span a number of years, rather than simply isolated instances of contact with the government}. For example, simply because Sumitomo or Yasuda had connections to the government or had business dealings with the government and its officials at the start of the Meiji period does not make them seishō. Almost all merchants who operated in Meiji were dependent on the government for creating most opportunities for success at the start, either through direct patronage or by allowing the purchase of government pilot projects or via its role as a monopsonist. The use of government connections throughout the Meiji period and the further maintenance of government connections encompassing one to three periods (i.e. Meiji-Taisho-Showa) makes a business entity a seishō. Furthermore, though the exact power balance or channels of communication in the relationship between the business and governments may change over the years, \textit{the state of being a seishō and the state of being a zaibatsu are not mutually exclusive}, as is implied by works which use the phrase "from seishō to zaibatsu" (\textit{seishō kara zaibatsu e}).\textsuperscript{14} Politically and economically significant connections to
the government did not simply stop when Mitsui, Mitsubishi, Yasuda and Sumitomo 'became' zaibatsu (e.g. amakudari -- the appointment of retired government officials to high managerial or advisory positions, connections to parties and others). Furthermore, being a seishō did not mean that there was a lack of managerial or entrepreneurial skills on the part of the individual leaders of the seishō. As exemplified by Shimada, Ono, Mitani and Fujita, without the appropriate managerial skills and resources, government patronage and official contracts alone could not guarantee the long-term success of the business.

My definition of a zaibatsu is as follows: by the 1920's a zaibatsu contained a nucleus parent company (usually a holding company), that was owned wholly by a family or a kinship group and formed an enterprise group whose subsidiaries operated in a wide range of industries. The enterprise group included stable sources of capital which enabled the parent company to maintain majority ownership of their key direct subsidiaries. The large-scale subsidiaries occupied varying degrees of monopolistic or oligopolistic positions in their respective fields at the national level. By this definition, only Mitsui, Mitsubishi and Sumitomo could be considered 'true' zaibatsu. Yasuda could be included in this group only if Asano were considered as being almost a subsidiary. The mid-sized, small, Chihō, and Hanshin, 'zaibatsu,' often categorized under the rubrics of sangyō (industrial) and kinyū (financial) zaibatsu, were variants of the larger and more financially stable structures of the Big Three (Four). Only the Big Four had enough profit-generating subsidiaries which produced sufficient internal capital to maintain into the 1930's a semblance of majority family ownership in their respective holding companies and in a comparatively high number of their 'flagship' subsidiaries. Also, although some mid-sized zaibatsu, such as Ōkura, operated in a large variety of industries, whether or not all zaibatsu outside of the Big Three operated in a "wide range" of industries is also questionable. Additionally, with the exception
of Ayukawa Yoshisuke's Nissan (Nippon Sangyō) most of the *shinkō* zaibatsu (the so-called new zaibatsu), along with Kawasaki, Furukawa, Ōkura, Yasuda, and others, did not control subsidiaries which occupied oligopolistic or monopolistic positions in more than one or two fields (if in any field at all) on the national level. Furthermore, with most of the *shinkō* zaibatsu, the nucleus company itself, although controlled by an individual or a family, was not majority-owned by one family.17

However, for the sake of convenience, in this paper, generally, 'zaibatsu' will mean the Big Three or Four. Where political affairs are concerned, the term 'zaibatsu' will usually denote the Big Three, and any other politically active 'zaibatsu,' whatever their 'type.' In the business and managerial context, in most instances, 'zaibatsu' will be employed for all 'types' of zaibatsu.
Notes to Introduction

1 This account is an abridged version of the description in Mitsui Hachiroemon Takamine Den (Tokyo: Editing Committee, 1988), pp. 470-471.

2 Imai Hisao, "Hamaguchi Osachi-Dan Takuma: Gunshu to Kin Kaikin ga Maneita Giseisha" (Hamaguchi Osachi-Dan Takuma: Victims Summoned by the Disarmament Program and Going off the Gold Standard), Rekishi Tokuhon (Special Issue), 12, No. 3 (Jan. 15, 1987), 49.

3 "Zaibatsu tenkō" was a label the journalists put on the zaibatsu reforms in the first half of the 1930's, but it was not considered flattering by Mitsui or other zaibatsu. See for example Matsushita Denkichi, Zaibatsu Mitsui no Shinkenkyū (Tokyo: Chūgai Chōsakai, 1936), p. 325. Another word that was used by Mitsui and some journalists in lieu of tenkō was 'tenkan ', which also meant a conversion (or switching of channels), but did not have the negative connotations associated with "tenkō." Most of the time, I will use "tenkō" since it was more commonly used. The word "tenkō" suggested a willingness to abandon previously-held principles for the sake of expediency.

4 The term 'tenkō' was, of course, originally used to refer to a conversion in thinking, or the apostasy of Communist doctrines among the members of the Japanese Communist Party (J.C.P.) in the early 1930's. The most famous examples were the tenkō of two of the ex-leaders of the J.C.P., Nabeyama Sadachika and Sano Manabu, in June of 1933.

5 I will be using "policy," "strategy," "measure" and "method" interchangeably. In this paper, "strategy" will mean the determination of specific, second-level goals and objectives of a zaibatsu by the decision-makers of that zaibatsu, and the formulation of a course of action which in turn generated results and effects intended to meet those specific goals. The fundamental underlying or the first-level long-term objectives of all zaibatsu (and all big business) are assumed to be the same: the propagation of "long-term self-interest," which consists of maximizing the longevity and long-range profitability of the zaibatsu, whether in material profits or 'invisible' profits such as the cementing of relationships which may be of use in the future.

6 My use of the term (kabushiki) "kōkai" in this paper is more a short-hand for 'the sale of stocks' rather than in its literal meaning, "to open shares to public subscription." Thus, my use of the term is not an assertion that all the shares sold
were sold to what would be considered "the public" today. See Chapter II-2 for a discussion of this issue.

7 As another analogy, one might think of "vertical tasting" of wines, where different vintages (crises) of the same wine (Mitsui) are tasted, and "horizontal tasting," the tasting of different wines (zaibatsu) from the same year (crisis). However, this analogy may not give sufficient weight to the developmental history of the other zaibatsu. See Chapter III; and see below, note 8 and 11.

8 I feel that the use of Western political terminology such as Right, Left and Radical, are somewhat confusing, and not applicable to many of the so-called ideologies of the military factions and civilian ultranationalist groups, except in a few cases where they specifically modelled themselves after Western patterns or used the Japanese equivalent of the Western term (e.g. Socialist Party, Social Mass Party). In Japanese, the terms uyoku (right-wing) and sayoku (left-wing) are commonly used; however, such classifications would be hard to pin on someone like Kita Ikki. George Wilson has labelled Kita a "Radical Nationalist," but Kita has also been called a 'Fascist' and/or a 'socialist,' 'national socialist' (or insane). For details on Kita, see Chapter II-3. For the sake of convenience, either "extremist" or "ultranationalist" will be used when referring to civilian groups with affiliations to factions within the navy and army which advocated a "Showa Restoration."

9 The post-war keiretsu are organized primarily along pre-war zaibatsu groupings, but none of them have holding companies to centralize and coordinate strategy for the group as a whole. In the six major keiretsu (Mitsui, Mitsubishi, Sumitomo, Fuyo or Fuji -- formerly Yasuda -- Sanwa and Dai Ichii), to some extent, the coordinating role of the holding company has been replaced by the rise of the bank, the general trading company and inter-locking shareholding. For a brief description, see for example Noguchi Tasuku, ed., Mitsui Konzern: Keiei to Zaimu no Sōgo Bunseki (Mitsui Konzern: A Synthesized Analysis of Management and Financial Affairs) (Tokyo: Shin Hyōron, 1968); and Johannes Hirschmeier and Tsunehiko Yui, The Development of Japanese Business, 2nd ed. (London: George, Allen, & Unwin, 1981), pp. 332-336.

10 Ethical egotism is defined as: the pursuit of any course of action, whether morally right or wrong, solely on the basis of how the consequences affects oneself- how others are affected is irrelevant. However, in the long-term, being charitable throughout one's life may in fact produce dividends for oneself. Adapted from Tom Regan, ed., Matters of Life and Death: New Introductory Essays in Moral Philosophy (New York: Random House, 1980), p. 17. This ethical code is derided by philosophers for being completely partial and because it "arguably leads to consequences that clash with undoubted cases of wrong action." In other words, it is not 'nice.' Such criticism makes the rather dubious assumption of the existence of a universal moral code. Furthermore, criticisms based on a priori philosophical assumptions about what 'ought to be' do not change what has already happened
in history. Therefore, it is a valid measure for the behavior of business enterprises in the 1930's.

11 The Hegelian or Marxist dialectic in itself may actually provide the framework for misunderstanding the underlying similarity between the Japanese and American business behavior. The dialectic is a one-dimensional envisualization of historical events which automatically assumes a reasonably clear dividing line between each thesis and anti-thesis, and sets the two elements up as binary opposites. In fact, since most events and conglomerates or zaibatsu are three-dimensional, and interact with other three-dimensional entities, a one-dimensional model may hinder the adequate conceptualization of the seemingly contradictory similarities and differences between two 'poles.' This problem also applies to the one-dimensional 'left-right' view of the political spectrum. See Chapter III-2; and see above, notes 7 and 8.


14 However, the definition of "seishō" used in other works is time-specific, not strategy-specific or context-dependent.

15 This definition is essentially a narrower, more specific version of Yasuoka Shigeaki's definition. One translation of Yasuoka's definition can be found in Okochi Akio and Yasuoka Shigeaki eds., Family Business in the Era of Industrial Growth (Tokyo: Univ. of Tokyo Press, 1984), p. 116: "A zaibatsu contains a nucleus parent co. (holding co.) that is invested in by a family or a kinship group and forms an enterprise group that has the firms it controls (subsidiaries) doing business in a wide variety of industries. The large scale subsidiaries have a monopolistic position in their respective industrial sectors." The original definition can be found in Yasuoka Shigeaki, ed, Nihon no Zaibatsu (Tokyo: Nihon Keizai Shinbun, 1976), p. 14.

16 For a general idea of what industries the various 'zaibatsu' were involved in, see Takahashi Kamekichi and Aoyama Jirō, Nihon Zaibatsu Ron (Tokyo: Haruaki sha, 1937), pp. 167, 197.

17 The way the word 'zaibatsu' is defined in some works, for example Morikawa Hidemasa, "Nihon Zaibatsu no Keiei Senryaku-Ishi Kettei Katei o Chūshin ni" (Business Strategy of the Japanese Zaibatsu: Viewed from the Process of Decision Making), Keiei Shigaku, 13, No. 1 (Oct. 1978), 30-31; and Morikawa, Business History of the Zaibatsu, pp. 1-5, it is practically synonymous
with 'kaisha' or any other word for 'company.' According to Morikawa's definition, for example, logically, it would be appropriate to call a couple, owners of a Mom-and-Pop shop candy store, who buy a restaurant or another kind of store, larval or embryonic zaibatsu, considering that the new corporate structure would be without a formal holding co. but still family owned, be diversified in comparison to another couple with only a candy store, and its branches could occupy a dominant position for the candy market or noodle market on that particular street. By making the definition too broad, the term almost loses its meaning. Such definitions essentially allows for the existence 'small big businesses.' This is not say that the so-called mid-size, new, chihi, sangyō and kinyu 'zaibatsu' should not be studied or that they were irrelevant to the development of Japanese business sector, but merely to say that such pseudo-zaibatsu were not 'true' zaibatsu.
PART 1: EXTERNAL PRESSURES

The external pressures evolved out of the cumulative effect of the following six inter-related larger stimuli: (A) Zaibatsu influence in politics through the financing of the political parties, personal connections, and through business associations; (B) Foreign affairs developments such as the Shantung Expeditions, the London Naval Treaty and the Manchurian Incident; (C) The economic stagnation of the-1920's, and the effects of the Showa Depression on the Japanese economy; (D) Zaibatsu conduct which was perceived to be 'profiteering' and 'unpatriotic'; (E) Rise of militarism, civilian extremists and ultranationalism; and (F) The inability of the political parties to avoid corruption scandals, alleviate the economic stress, generate popular successes on the international scene, and their failure to respond to the crisis situation of the early 1930's.

The incremental growth of economic dislocation, frustration over the foreign affairs developments, zaibatsu political power, the political-economic 'scandals', and the discontentment at the limited and disappointing results of party government during the 1920's, were magnified and galvanized by the events of the 1930-32. The Showa Depression, the Manchurian Incident, inter-party factionalism, and the Dollar-Buying Scandal (and other 'unpatriotic' activities), epitomized the six stimuli or trends, and ignited the very volatile base of discontent which had been built up by Japan's experiences with the parliamentary system of government. Growing numbers expressed doubts about the parliamentary government system itself in the early 1930's. The discontent among the people, the military, and civilian extremists, was vented at the party politicians and the zaibatsu -- especially Mitsui.
(A) The Zaibatsu and Politics

Although the Meiji Restoration ushered in a new government and a new political system, the history of zaibatsu-political parties relationships did not become important until political parties became accepted as a necessary (albeit not the most desirable) institution by several genrō (elder statesmen), most notably Itō Hirobumi and Katsura Tarō. From the start, natural boundaries for alliances between businessmen and parties were present in that the Kaishintō, the forerunner of the Minseitō, was led by Mitsubishi's ex-governmental patron, Ōkuma Shigenobu. Conversely, the Jiyūtō and its successor, the Seiyūkai, had contacts with Mitsui through connections to the Chōshū genrō such as Itō, and even more importantly, Inoue Kaoru, Mitsui's governmental patron deity. Although Mitsubishi supported the Kaishintō financially after Ōkuma was ousted from the government in 1881, this was more an aberration than a start of the long-term trend in business-party-hanbatsu (the domain/clan faction, the genrō) relationships: Mitsubishi supported the party against the Meiji hanbatsu government in 1881-1882, whereas the eventual outcome was a convergence of parties, business and hanbatsu in the early twentieth century. After the Russo-Japanese War, as ties between genrō and political parties were being developed or consolidated, there was a corresponding increase in the influence of individual businessmen and the zaibatsu on the government and politics in general. Toyokawa Ryōhei from Mitsubishi became Katsura's economic advisor while ex-Mitsui men such as Yamamoto Jōtarō, Mori Kaku, and Noda Utaro, joined the Seiyūkai and eventually became prominent members of the party. During the period of the so-called Taisho Democracy and the early Showa years, the zaibatsu expanded their political powers greatly. Hara Kei, the president of the Seiyūkai, and Prime Minister during 1918-1921, contributed greatly to the increase in zaibatsu and party
ties. To begin with, Hara was close to Inoue Kaoru, and furthermore, was a protégé of Mutsu Munemitsu, who had virtually been a retainer to the Mitsui House in the Bakumatsu period. Also, Hara had been one of the top four directors of Furukawa from March 1905 to January 1906, when he joined the Saionji Cabinet, along with Okazaki Kunisuke, another Mutsu kobun (follower, protégé, disciple). Additionally, Hara's basic method of generating popular support, pork-barrelling, required that funds be funnelled to all the locales which were given material promises. This created further opportunities for zaibatsu to finance their way into political influence. Initially, when funding from Mitsui was not forthcoming, Hara received money from Furukawa. Hara wrote in his diary that Okuma received ¥1.6 million from the Iwasaki (the owners of Mitsubishi), Mitsui, Yasuda and Okura for the 1915 election. In the case of the 1924 election, one contemporary report had the Seiyūkai receiving ¥550,000 from Tokyo Dentō (Tokyo Electric Light), and ¥300,000 from Mitsui Bussan, while three men with particularly strong zaibatsu connections, Yamamoto Jōtarō, Yamamoto Teijirō and Takahashi Korekiyo, were among other leading contributors. Moreover, increasingly, members of the Lower House and House of Peers had connections to Mitsui and/or Mitsubishi through marriages or past or present employment. For example, Katō Takaaki's Cabinet was labelled a "Mitsubishi Cabinet" by the popular press as Katō and Foreign Minister Shidehara Kijūrō were both son-in-laws of Iwasaki Yatarō while Railways Minister Sengoku Mitsugu was an ex-bantō (manager). However, this was a simplistic view of matters, as the zaibatsu had connections to both of the main parties in terms of membership. This was somewhat inevitable considering the array of marriage and blood links between politicians and zaibatsu families, as well as marriage links between the various business families themselves. In other words, the zaibatsu could be said to have diversified their 'investments' in the Diet to some extent, either as a by-product of traditional-style marriage alliances or
other social bonds, or by design. However, by 1930, in terms of financial support or contributions, it was predominantly Seiyūkai-Mitsui and Minseitō-Mitsubishi. According to Ayukawa Yoshisuke, his older brother-in-law, Kimura Kusayata, the head Mitsubishi executive at the time, and Dan Takuma met to discuss how much to contribute at election time. When Ayukawa asked Kimura how much was donated in the election, Kimura replied that both zaibatsu had cordially agreed to put in the same amount each, one side to the Minseitō, and the other to the Seiyūkai, and that the sum for each side was about ¥5 million.16

Aside from the financing and membership, the zaibatsu also increased its influence in political decision-making processes by having its members from the Diet sit on the committees for various industry control laws, or through private business organizations such as Nihon Kōgyō Kurabu (Japan Industrial Club—established in 1917), Nihon Keizai Renmei (Japan Economic Federation—est. 1922), the Shōkō Kaigisho Rengōkai (Federation of Chambers of Commerce and Industry). The Japan Economic Federation put in resolutions and suggestions on issues ranging from the 1928 Shantung Expeditions to the minimum wage rate.17 The various business federations were usually headed by zaibatsu executives, as was the case with the Industrial Club, which was led by executive director Dan Takuma and president Toyokawa Ryōhei. Industrial Club vice-president Magoshi Kyōhei was an ex-Mitsui Bussan man who had established himself as the "beer king," while others on the board of directors included Gō Seinosuke, a director of Ōji Seishi, a Mitsui ordinary subsidiary (bōkei kaisha), and related by marriage to the Iwasaki, and Nakajima Kumakichi, a Furukawa Gōmei director until 1924, among others.18

While zaibatsu influence in politics was growing, the number of corruption cases was increasing as well. In the Kondō Affair (Siemens Affair) of 1914, Mitsui was directly embroiled in the alleged bribing of government officials to obtain the
contract for the building of a naval battleship. The Yamamoto Gonnohyoe Cabinet resigned en bloc as a result of this particular scandal. The Incident also precipitated the resignation of three top executives of Mitsui Bussan, Yamamoto Jōtarō, Iida Giichi, and Iwahara Kenzō, and ultimately, Masuda Takashi, the head executive of Mitsui Gōmei. It was thought by some that the universal male suffrage law of 1925 would end corruption and bribery, but if anything, the scandals increased in the late 1920's. The Tanaka Cabinet in particular was riddled by numerous corruption cases, and the obvious patronage appointment of Kuhara Fusanosuke as Communications Minister, and the prominent role of ex-Mitsui Bussan men Mori Kaku, appointed Vice-Minister of Foreign Affairs, and Yamamoto Jōtarō, appointed president of Minami Manshū Tetsudō Kaisha (South Manchurian Railway Co., or Mantetsu or S.M.R.) further undermined the Cabinet's popularity. Although the established zaibatsu were not directly involved in most of the scandals, by 1930, the perception that Mitsui had 'bought' the Seiyūkai and that Mitsubishi had done the equivalent to the Minseitō was widespread among all sectors of society.

(B) Foreign Affairs

Developments in Japan's foreign affairs served to exacerbate the conditions at the domestic front. The Siberian Intervention was Japan's first modern military expedition which did not have popular support at home. The Tanaka Cabinet's decision to send over the three Shantung Expeditions (May-July 1927-1929) at a time of great financial instability in Japan contributed to the unpopularity of the Tanaka Cabinet, while increasing the anti-Japanese feelings in China. These Japanese military expeditions prompted China to boycott Japanese goods, and marked the first step in the escalation of the Kwantung Army's (Kantōgun) activities in China. In fact, the resignation of the Tanaka Cabinet in July 1929, was
precipitated by the revelation of the Kwantung Army's responsibility in the assassination the Manchurian warlord, Chang Tso-lin on June 4, 1928, and the Cabinet's attempted hush-up and its failure to punish the conspirators.\footnote{23}

The London Naval Agreement was concluded in April 1930. The military's discontent with most bureaucrats (as opposed to the so-called reform bureaucrats)\footnote{24} and party politicians arose largely from the fact that the Minseitō Hamaguchi Cabinet had forced through the ratification of the London Naval Treaty against the vehement opposition of the Navy, the naval chief of staff, Admiral Katō Kanji, and many members of the House of Peers and the Privy Council.\footnote{25} Newspapers became more strident in handing down the verdict that the conciliatory Shidehara foreign policy was weak, inefficient and had failed the country. In an effort to embarrass the Minseitō government, Inukai Tsuyoshi and the Seiyūkai also added their voices to the chorus of criticism.\footnote{26} The navy (and the newspapers) questioned the civilian politicians' 'invasion' of military operational matters, and claimed that the security of the nation was being compromised for the sake of adherence to the gold standard and budgetary retrenchment.\footnote{27} The London Naval Treaty issue was the primary factor in the assassination attempt on Hamaguchi's by a civilian extremist in April 1930, and was also mentioned as a source of motivation by the group who carried out the May 15 Incident.\footnote{28}

The Manchurian Incident at Mukden on Sept. 18, 1931, capped the chain of foreign affairs events which contributed to the development of an anti-zaibatsu environment. The Manchurian Incident created an opportunity for the Army or the factions within it to re-emphasize the need for military men to handle matters of national defense.\footnote{29} The Incident served to increase the domestic crisis-politics atmosphere (hijōji) while further isolating Japan in international relations.
(C) The Economy and the Depression

The economic instability of the 1920's added considerable fuel to the fires of discontent. The recessionary trends at the end of World War I set the tone for the next of the decade. Overall, the 1920's was not a period of economic stability for the nation as a whole. Each recovery period from recession was met by a new obstacle. The post-World War I depression caused bankruptcies and uncontrolled inflation. The recovery from the post-World War I depression was cut short by the Great Kantō Earthquake of 1923. The make-shift nature of the recuperation process from 1923 gave rise to the 1927 Financial Crisis, which saw another series of runs on banks, including the 15th (Peers') Bank and the Bank of Taiwan. In the late 20's, some companies, such as Fujita, Suzuki Shōten (Suzuki Trading Co.) and Takada Shōten, went bankrupt, while others, such as Asano, Furukawa, Kuhara (Ayukawa) and Ōkura, declined significantly. The post-1927 recovery period was terminated by the Showa Depression, which ensured that for Japan, the 1920's would be decade of long-term stagnation after about twenty years of growth.

Another contributing factor to the discontent of the military, particularly the Army (see above), was the effect of the Showa Depression on the agricultural sector. Many of the army recruits were from the rural, agricultural areas of Japan; therefore, they were especially aware of the plight of the farmers.

The Great Depression and the Wakatsuki Minseitō Cabinet's response to the international situation worsened the already unstable economic condition. The Great Depression killed the U.S. market for silk and other luxury commodities, as well as food products. This was a double-blow for the rural population of Japan in that as late as 1929, an estimated 40% of all rural households were active in sericulture in order to supplement their incomes.
In 1930, 47% of the total employed population of Japan was engaged in agriculture, which meant that the drop in the prices in silk and other agricultural products affected a large portion of Japan's population. Meanwhile, the Minseitō government and Finance Minister Inoue Junnosuke had decided to lift the gold embargo, and put the yen back on the gold standard in January 11, 1930. Inoue embarked on his agenda of "Big Three Rationalization Policies" (San Dai Seiri) of administration, public finance and the tax system reforms, and cutbacks on government, industry and military spending. The Inoue policy resulted in a drop in exports, failed to stimulate the agricultural sector (due to severe deflation), or check the rise in unemployment. An outflow of gold occurred during the time the gold embargo was lifted, with one estimate putting the efflux for 1930 alone at ¥308 million. Inoue's timing proved to be disastrous as soon after (Sept. 21, 1931), Great Britain abandoned the gold standard, which greatly depreciated Japan's foreign currency reserves. The prices of staple articles of export and import collapsed, thereby severely reducing revenues from customs, excise and income tax.

The protectionist trade and tariff policies, the declining purchasing power of silver, and the stiff competition on the world market further exacerbated Japan's domestic economic woes. As a result of the escalation of tensions after the Shantung Expeditions, the import-export trade trade with China decreased from the Chinese economic boycott of Japanese goods. The curtailment of trade was exacerbated by the outbreak of the Manchurian Incident, which gave rise to more economic boycotts. The situation was compounded by the adoption of protective tariffs by the U. S. (June 1930) and Britain (Feb. 1932), and the Ottawa economic conference (July-August 1932), which endorsed such economic protectionism and bloc economies.
(D) Mitsui and the Scandals of the 1930's

Back on the domestic front, in order to counter the mounting criticism against his policy of adhering to the gold standard, Inoue sought the endorsement of his policy from the private sector. Lead by Ikeda, a group of bankers, including Go (15th Bank) and Yatsuhiro Norihiko (Sumitomo), issued a statement of support in November 1931. During the same period (September-December 1931), in consultation with the Bank of Japan and the Yokohama Specie Bank, many of the large private banks bought up dollars. When the Inukai Seiyukai Cabinet assumed office on Dec. 14, 1931, as he had promised, Takahashi Korekiyo, the new Finance Minister, reimposed the gold embargo and took the yen off the gold standard. The banks now held large amounts of dollars as opposed to the now depreciated yen. The newspapers and popular accounts accused the zaibatsu of raking in huge profits at the expense of the common people and the nation as a whole, from this currency speculation. In an attempt to camouflage the failure of his financial policy, Inoue fanned the flames by calling the dollar-buying "traitorous."

Starting on November 2, 1931 to about the end of the year, several demonstrations against the Mitsui "dollar-buying" occurred. Akamatsu Katsumaro, who had committed tenkō in the summer of 1931 led a demonstration of a group of his followers, the Shakai Seinen Dōmei (Young Socialists League), outside the Mitsui Bank Tokyo head office, and other 'socialist' groups demonstrated outside the Mitsui Bank and Mitsui Hachiroemon's residence, calling for the profits from the dollar-buying to be donated for unemployment relief for the Tōhoku region. In January 1932, anti-Mitsui demonstrations took place in Kyoto and Osaka as well. The situation was compounded by the rumors circulating at the time that Adachi Kenzō, the Home Minister in the Hamaguchi Cabinet, had been paid by Mitsui to bring about the downfall of his own cabinet in order to pave the way for the
consequent reimposition of the gold embargo by the Seiyūkai Cabinet. The most obvious problem to this theory was that neither Mitsui nor the other zaibatsu, made any money from the currency transactions. There was also a rash of stories in the newspapers attacking Mitsui Bussan for crushing small merchants, Miike Mine disputes with Oita, and the exorbitant sums reportedly given to politicians during elections. There was little or no substantiation for the accusations; nevertheless, the newspapers were not at all reluctant to voice their 'outrage.'

Some demonstrations and criticisms were directed at Mitsubishi and Sumitomo as well. However, most newspapers and the public singled out Mitsui as the main villain of this "Dollar-Buying Scandal," in spite of the fact that, according to the Tōyō Keizai Shimpō Sha's calculations (printed first in Jiiji Shinpō) the National City Bank bought the largest amount of dollars. The estimates are shown below:

Table 1-Total Value of Dollars Bought (in Yen) by the Major Purchasers

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Total worth of dollars bought</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National City Bank</td>
<td>¥273,000,000</td>
<td>35.9%</td>
</tr>
<tr>
<td>Sumitomo Bank</td>
<td>¥64,000,000</td>
<td>8.4%</td>
</tr>
<tr>
<td>Mitsui Bank</td>
<td>¥56,000,000</td>
<td>7.4%</td>
</tr>
<tr>
<td>Mitsubishi Bank</td>
<td>¥53,000,000</td>
<td>7.0%</td>
</tr>
<tr>
<td>Hong Kong-Shanghai Bank</td>
<td>¥40,000,000</td>
<td>5.3%</td>
</tr>
<tr>
<td>Mitsui Bussan</td>
<td>¥40,000,000</td>
<td>5.3%</td>
</tr>
<tr>
<td>Chōsen Bank</td>
<td>¥34,000,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>Mitsui Trust</td>
<td>¥13,000,000</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>¥573,000,000</strong></td>
<td><strong>75.5%</strong></td>
</tr>
<tr>
<td><strong>Mitsui sub-total</strong></td>
<td><strong>¥109,000,000</strong></td>
<td><strong>14.3%</strong></td>
</tr>
</tbody>
</table>


The statistics indicate that Sumitomo Bank bought more than Mitsui Bank. However, after Britain went off the gold standard in Sept. 1931, the principal buyers
were Mitsui Bank-¥44,800,000 (80% of its total sum purchased), Mitsui Bussan-
¥28,800,000 (75%), and Mitsubishi Bank ¥20,000,000 (38%).51 Moreover, when
the sums acquired by Mitsui Bussan and Mitsui Trust were added to the Mitsui
Bank total, the sum exceeded the Sumitomo total, but not that of the National City
Bank.52 On the other hand, according to Ikeda’s account, there was no
communication or coordination between Gōmei, Bussan and the Bank as to the
amount of dollars that each was buying.53 Mitsui Bussan issued a public statement
on Dec. 3, 1931 explaining that Bussan bought the dollars in response to an
existing demand, and that it sustained substantial losses later after the pound was
devalued and it settled its accounts.54 Initially Ikeda did not make public the fact
that the Mitsui Bank had lost about ¥12 million from the transactions for fear of the
possible effect on the Bank’s business.55 However, on March 2, 1932, at the
Bank’s shareholders meeting, Ikeda issued an official explanation which
reemphasized that the Mitsui Bank and Bussan had been forced to buy large
amounts of dollars to replace sizable funds in sterling pounds which could not be
repatriated from London (about ¥80 million), and that in fact, both companies were
forced to write-off considerable sums.56

In January 1932, Adachi left the Minseitō to form his own party, the Kokumin
Dōmei (National League), which further added fuel to the rumors that he had been
bribed by Mitsui. In the same month, after a Korean activist threw a bomb at the
Emperor, the Seiyūkai cabinet resigned. The factionalism within the Minseitō, the
Seiyūkai and the socialist parties during 1931-32, did little to enhance their
credibility.57 During the campaign for the February 20, 1932, election, one of the
main Minseitō slogans was “Defeat Inukai and the Dollar-buyers.” Not surprisingly,
Inoue Junnosuke was the Minseitō campaign manager. Such electioneering
tactics kept the dollar-buying controversy and its primary villain, Mitsui, very much
in the minds of the populace.
Also in January of 1932, Japanese naval forces clashed with the Chinese 19th Route Army to spark the Shanghai Incident. While the international community censured Japan's actions, the Japanese populace accepted the Army's explanation of "self-defense" but was outraged at revelations that Yasukawa Yūnosuke, the executive director of Mitsui Bussan, was selling barbed wire to the 19th Route Army. Furthermore, since the outbreak of the Manchurian Incident, Bussan had also been supplying salt to Marshal Chang Hsüeh-Liang (the son of Chang Tso-lin),58 the principle enemy of the Kwantung Army.59

Furthermore, Mitsui and other zaibatsu were unreceptive to the Finance Minister's request to purchase government bonds being floated to defray the costs of the engagement in Shanghai.60 An association of the leading bankers met with the Army Minister, and explained that they could not see the point of the expansion of conflict in China.61 The zaibatsu, having become alarmed at the adverse foreign reactions to Japanese aggression, decided as a bloc not to support the government's bond issue. Although the decision seems to have been made by the business associations as a whole, Dan, as the most prominent leader of the business world, was blamed by the militants in the cabinet and by the press for initiating this 'unpatriotic' act (this on top of the profits that Mitsui was supposed to have made from the Dollar-buying scandal).62

(E) The Rise of Militarism and Ultranationalism

One proposed solution to the seemingly endless cortege of problems was "direct action" to bring about a return to Japanese tradition and the Emperor system -- a "Showa Restoration." The use of the same terms (ishin) as the Meiji Restoration was a deliberate attempt to give an air of legitimacy to the various plots to overthrow the party government system by harkening back to the 'coup' which had restored the Emperor's rightful power. Although a general term which held
somewhat different meanings for each of the ultranationalist groups, the "Showa Restoration" essentially called for the restoration of the "true relationship" between the Emperor and the people. The means by which this aim was to be achieved was the removal of "evil advisors" to the Emperor, the elimination of party cabinets, and a curtailment on the profiteering activities of the zaibatsu: these elements were seen as corrupting forces within the social order. Instead of the Tokugawa bakufu, the zaibatsu and the political parties were cast in the role of the usurpers who distorted the "true relationship" between the people and the Emperor.

In 1931, two coup attempts engineered by Sakurakai (Cherry Society) members (Hashimoto Kingorō and the Navy-Army Young Officers) and supported by leading civilian ultranationalist groups led by Ōkawa Shūmei and Nishida Mitsugu, failed. The news of the March and October Incidents were not revealed to the general public, but the zaibatsu leaders eventually heard the details. Both plots essentially aimed at installing a government under a leading senior Army officer (Ugaki Kazushige in March, Araki Sadao in October), to carry out a domestic reform or restoration, while pursuing an expansionist policy in Manchuria. The October Incident was inspired in part by a desire to maximize the advantages gained from the Manchurian Incident.

This was followed by the more publicized Ketsumeidan "one man one life" assassinations of Inoue and Dan. Inoue Nisshō, the former Nichiren Buddhist monk, had recruited young men from the rural areas, mainly from Ibaraki prefecture, for his Ketsumeidan. A 'hit list' of twenty names was prepared, which included Dan, Inoue, Ikeda, Saionji, Makino, Shidehara, Wakatsuki, Go Seinosuke, and Iwasaki Koyata, among others. Konuma Tadashi, the assassin who shot Inoue Junnosuke, stated that he had killed Inoue to avenge the rural areas for the suffering they had endured as a result of the failure of Inoue's financial policy. Twenty-five days later, Hishinuma Gorō declared that, "As the
head of the Mitsui zaibatsu, Dan, in collusion with the parties, had corrupted politics, controlled Japan's economy, and brought about economic ruin. To save Japan from her present emergency, and to ring an alarm bell to the political and financial worlds, which are blinded by self-interest and greed, I assassinated Dan.*66 The rest of the would-be assassins were arrested before they could carry out their missions. As the immediate effects of the promised "Inukai Prosperity" failed to materialize, another plot was hatched by the Navy Young Officers, Tachibana Kozaburō's Nōhonshugi followers, and Ōkawa Shūmei's Jinmukai group, the May 15 Incident. This particular coup attempt resulted in Prime Minister Inukai Tsuyoshi's assassination, while several buildings, including the Seiyūkai Headquarters and Mitsubishi Bank's Tokyo Head Office, were attacked.67 Another coup attempt, the Shinpeitai Incident of July 1933, organized by civilian extremists including members of the Seisantō, was stopped before the plan could be implemented. In addition to the standard objective of initiating a "Showa Restoration," the Shinpeitai plotters also aimed to release Inoue Nisshō from jail.68 Among those arrested were three owner-executives of the department store Matsuya, which was involved in the financing.69 Although no details were released to the public for a year, the event further contributed to the sense of crisis among the political and business leaders.

(F) The Ineffectiveness of the Political Parties

The crisis atmosphere was magnified by the absence of strong leadership within the political parties to counter the extremist trends of the times. In fact, after the May 15 Incident, several party leaders actually advocated a "national unity" cabinet. One of the leading party politician who advocated a non-party cabinet was Takahashi Korekiyo of the Seiyūkai, who did not want to see the new party leader, Suzuki Kisaburō, become Prime Minister. The Seiyūkai was split into three
factions, all with strong military and ultranationalist connections, while the Minseitō declined in numbers from Adachi Kenzō's departure, and leader Wakatsuki did not enjoy the support of the party rank and file. Also, many of the Socialists, such as Akamatsu, and other party politicians, such as Kuhara Fusanosuke and Mori Kaku, frustrated by their lack of success within the parliamentary system, converted to national socialism or extra-parliamentary means to increase their political power. Moreover, the relatively light punishments meted out to the military personnel involved in the abortive coups (as opposed to civilian leaders such as Tachibana Kozaburō, who was given a life sentence), was another sign of the growing de facto political power of the military and the factions within it, and the parallel decline in the power of the politics parties.

It was evident that the existing political-economic values and institutions were (or were perceived) as being in fundamental ways inadequate to handle the problems that beset them: in short, there existed a systemic crisis. The assassinations of Inoue, Dan and Inukai were manifestations of widespread social unrest and grievances against the existing social and economic system, not merely dissatisfaction with a particular policy, cabinet, or party, although individual policies did contribute significantly to the sense of discontent. Nor were the assassinations isolated by-products of economic instability and individual actions, such as was the case with the assassinations of Hara in 1918 and Yasuda Zenjirō in 1921. Another difference between the incidents of the early 1920's and those of 1930-32 was that in the political murders and coup attempts of the early 1930's, the popular social unrest was channelled into direct political activity. In other words, the political and military elites of even anti-parliamentary colorings were recognizing the importance of mass support as a factor in achieving their various political agendas. In the late-Meiji and Taisho periods, the zaibatsu and the political parties had amalgamated themselves into the existing hanbatsu structure (which
essentially controlled the military), rather than gain power as representatives of the masses. On the other hand, during the unrest of the early 1930's, the military and other members of the power elites, including some members of the political parties, purposely drew on the large pools of discontent among the general populace to attack the political structure.

PART 2: EXTERNAL PRESSURES--MITSUI AND INTERNAL FACTORS

There were several reasons why the external pressures summarized above were directed primarily against Mitsui. In the minds of the majority of the populace, Mitsui was synonymous with 'zaibatsu' because of Mitsui's high profile, which stemmed from Mitsui pre-eminence in the Japanese economy. This perception of Mitsui as the leviathan of the economy was based on the following elements: (A) Mitsui was also the oldest (along with Sumitomo); (B) Mitsui was the largest zaibatsu in terms of the number of companies, total capitalization, and diversity; (C) Compared to other zaibatsu, Mitsui had a significantly larger assemblage of high-profile executives; and (D) A number of its companies, both ordinary (bōkei) and direct (chokkei), were dominant in their respective fields, most notably Mitsui Bussan in trading. Bussan's 'sharp' business methods added to the negative image of Mitsui as a whole. Regardless of (E) the effects of the Showa Depression on Mitsui, the above factors increased Mitsui's profile and multiplied the opportunities for contact with other segments of society.

In other words, the anti-zaibatsu reaction was focused primarily on Mitsui because of Mitsui's real and perceived success. This is not to say that all sectors of the economy were dominated by a monopolistic or oligopolistic Mitsui subsidiary or that there was an across-the-board concentration of markets in general. There were certain industries where oligopolization occurred from 1927 to 1932, and
others where no clear pattern existed. However, the perception among the civilians, the military and ultranationalist in general, was that Mitsui, with its many 'arms' (i.e. the Seiyūkai, business associations, personal connections, and numerous subsidiaries), was the head puppeteer of the Japanese economy. American sociologist W. I. Thomas stated, "If men define situations as real, they are real in their consequences." In the case of the perception of Mitsui's overall success by the sources of the external pressure -- the military (especially the Kodōha), the civilian extremists, most of the newspapers, and the general public -- the subjective definitions happened to match most of the facts. Mitsui's performance through the 1920's and the Showa Depression, coupled with its comparatively rapid recovery after 1932, meant that there were little or no internal incentives for extensive reforms in public relations or business organization.

(A) The Mitsui History

The history of the Mitsui families' business operations began in earnest when Mitsui Sokubei renounced his samurai status in 1616 to engage in business. Mitsui's early history, based on its shops and ryōgaeten (money exchange shop), was far more entertaining than that of Sumitomo, which was based on caretaker operation of the Besshi copper mine. In addition, Mitsui engaged in commerce, which meant more contact with the general populace, and publicized the fact that the Mitsui family had helped finance the Meiji Restoration. The establishment or acquisition of the Mitsui Bank, Bussan, its dry goods store, and mining operations in the 1870's, aside from giving Mitsui business experience and a 'head start' in accumulating capital, meant a longer period for the populace to become relatively familiar with the Mitsui name.
(B) Mitsui’s Growth and Size

Economist Takahashi Kamekichi’s 1930 estimate of Mitsui’s total paid-up capital for all the companies under its control for 1928 was ¥849,135,000, with the authorized capital amounting to ¥1,231,809. Takahashi placed Mitsubishi’s total paid-up capital at ¥592,942,000, Sumitomo’s at ¥187,513,000 and Yasuda’s at ¥362,632,000.78 These other contemporary estimates of Mitsui’s paid-up capital which yielded sums which were unequal to Takahashi’s. In these other estimates, Mitsubishi’s total paid-up capital in 1928-30 was about 55-60% of Mitsui’s, while Sumitomo’s paid-up capital equalled about 45-50% of Mitsui’s.79 The common point was that Mitsui had the largest amount of total paid-up capital by a minimum margin of 30% over Mitsubishi. Mitsui controlled an estimated 188 companies80 by 1929-30, as compared to Mitsubishi’s 119. Prior to the 1920’s, through the acquisition of ex-government factories and mines in the 1880’s, and under Nakamigawa’s industrialization policy of the 1890’s, Mitsui had gained controlling interests in Shibaura Machinery Works, Kanegafuchi Spinning (Kanebō), Oji Paper, Onoda Cement, and Hokkaidō Steamship and Colliery Company (Hokkaidō Tankō Kisen-"Hokutan"), and Nippon Seikō, to add to the three main companies (Mitsui Bank, Mitsui Bussan and Mitsui Kōzan [Mining]). However, in terms of the number of companies, the major period of expansion came during in the 1920’s.

During the 1920’s, when several companies experienced considerable decline, Mitsui continued to accumulate paid-up capital while expanding operations at an incredible rate. This continued growth and diversification was achieved through several different avenues. One way was through buying into existing companies, a strategy used to gain control of Oji, Hokkaidō Steamship and Colliery Co. and Shibaura. In the 1920’s, these companies were usually
available either because they were financially unstable, or they had gone bankrupt, or they had defaulted on their loans. An example of this occurred the when with the bankruptcy of Suzuki Shōten in 1927, Dai-Ichi Chisso (First Nitrogen) and Claude Shiki Chisso (Claude-Method Nitrogen) came into Mitsui hands. Mitsui eventually bought the two ex-Suzuki nitrogen companies in January 1929 for ¥1.5 million, even though Suzuki had paid ¥5 million in 1922 for the Claude process alone. Mitsui also acquired another ex-Suzuki subsidiary, Japan Flour Mills (Nihon Seifun) in 1927. Takasago Seimei was acquired in March 1927 and renamed Mitsui Seimei. Tanaka Kōzan was acquired by Mitsui Kōzan in 1924 when it went bankrupt and renamed Kaimashi Kōzan.

Other new companies were established by detaching departments from existing companies. Some examples were Tōyō Menka from Mitsui Bussan's cotton trading department in April 1920; Sanki Engineering from Bussan's Machinery Department in April 1925; and Wanishi Seitetsu from Nihon Seikōjo (Japan Steel) and Hokutan in 1931. Mitsui Trust was the first zaibatsu trust company, incorporated in 1924 from the Bank's trust department.

Mitsui also incorporated completely new companies (as was the case with Kanegafuchi in 1886) such as: Tōyō Rayon in Jan. 1926; Denki Kagaku Kōgyō Electro-Chemical Industries Co.), established in 1918; Taishō Kajō Kasan Hoken (Taishō Marine and Fire Insurance), started in 1918; Miike Nitrogen Industries, incorporated in Aug. 1931, and Gōsei Kōgyō (for methanol production) established in July 1932, both chemical companies arising from research conducted toward finding an alternative to the Claude method of ammonia synthesis.

Another method of growth was through joint-ventures with foreign companies (a pre-20's example was Nippon Seikōjo, a joint venture between Hokkaidō Colliery and Steamships, Vickers and Armstrong, established in 1909),
where foreign capital, as well as foreign technology, was brought into the partnership. Some examples were Toyo Babcock (est. 1927) with Babcock & Wilcox Co., for the manufacture of large boilers; Toyo Carrier (est. 1931), with Carrier Engineering Co., to make air conditioning equipment; Toyo Otis Elevator, with Otis Elevator Co., for the production of elevators and escalators (est. 1932), and Tokyo Denki (Tokyo Electric Light Bulbs), which was a joint-venture between Shibaura and International General Electric.

Excluding the joint ventures, Mitsui generally owned high percentages of the paid-up capital of the above companies (e.g. Toyo Rayon-100%, Sanki Kōgyō-91.8%, Wanishi-100%, Taishō Kōji-50%). However, Mitsui also extended its influence and control through means which allowed for more input than the amount of direct capital investment would indicate. Mitsui Bussan's exclusive contracts with manufacturers was one example. Before the 1920's, in some instances, vertical integration resulted from this method as was the case with Onoda Cement. In the 1920's and early 30's Bussan's contracts yielded looser affiliations. For example, in 1923, Bussan signed such a contract with Nakajima Airplanes, even though Mitsui capital participation was minimal. Bussan reinforced links through exclusive contracts with technology and parts import, as was the case for companies such as Toyoda Looms and Sanshō Automobiles. The Bank exerted a similar influence through its loans. Although Gōmei owned shares of Tokyo Dentō (Tokyo Electric Light), Mitsui poured in more funds in the way of loans through the Bank (¥40,600,000 in total loans as of Dec. 1931). In 1927, Ikeda requested that the president of Tokyo Dentō, Wakao Shōhachi, appoint one of Mitsui Bank's directors, Kobayashi Ichizō, as a senior executive director at Tokyo Dentō. Ikeda made several other attempts to minimize the impact of Wakao's "loose management" on Tokyo Dentō, and ultimately forced Wakao out of the presidency in June 1930. Personal connections among the directors also
helped propagate Mitsui's indirect influence in companies such as Morinaga Confectioneries, Taiwan Sugar, and Chiyoda Seimei, companies in which Masuda Tarō, eldest son of Masuda Takashi, was a director. Toyoda was a case where several different kinds of connections were used. Loans from the Bank and from Bussan; a relatively small amount of direct capital investment from Bussan for the automobile, loom and spinning enterprises; a family link through Toyoda Sakichi's sister's marriage to Kodama Ichizō (Toyō Menka's executive director until 1930); and Masuda Shinsei, another son of Takashi, as an auditor for Toyoda Looms, all served as potential channels for Mitsui input. The Mitsukoshi Department Store, though no longer officially controlled by Mitsui Gōmei, was still affiliated with Mitsui, and as of 1928, still had 9.7% of its paid-up capital owned by Mitsui Gōmei. Mitsukoshi president Iwase Eiichirō was a son-in-law of Nakamigawa, while in 1928, the store itself owned about 29% of the national department store space and was no. 1 in sales. The department store was still connected to Mitsui in the minds of the consumers, so this contributed to the familiarity of the Mitsui name to the public. In fact, during the anti-Mitsui demonstrations of November 1931, some demonstrations occurred outside the Mitsukoshi building.

Departments within existing companies which were not incorporated until after 1937 also expanded during the 1920's. Miike Senryō Kōgyojo (Miike Dyestuffs Department) within Mitsui Kōzan, after eight years of incurring heavy losses, began generating profits after 1926, when it began producing Japan's first artificial indigo dye. Mitsui Bussan's shipping department expanded greatly during the World War I boom, while the shipbuilding department began operations at the Tama Shipyard in 1919. Both departments suffered during the post-World War I depression, but because of appropriate rationalization measures, support from contracts with other companies in the Mitsui network (i.e. Bussan), and the importation of leading Western technology through Bussan's connections, were
able to continue to expand in terms of capacity and number of employees. In 1926, the Shipping Department obtained manufacturing and distribution rights for the leading diesel engine, made by Burmeister & Wain of Denmark, while Shipbuilding acquired the rights to the new Oertz rudder from Germany in 1929. However, both departments were consistently in the red until 1931.

Mitsui's decentralized and varied method of expansion meant a less organically-linked, and more diversified stable of companies than that of Mitsubishi. The strongest across-the-board linkage was provided by Mitsui Bussan and Bank, which meant marketing, distribution and finance, as opposed to Mitsubishi's more centralized, heavy industry-materiel based diversification. Mitsui's comparative weakness in managerial continuity in diversification policies (e.g. Nakamigawa's policies contrasting with Masuda's), also contributed to the diversity of its subsidiaries.

(C) The Mitsui Executives

In addition to Mitsui's seemingly juggernaut-style expansion, Dan Takuma's prominent role as the leading spokesman for private business interests as the director or chairman of several private industry organizations, was another factor which contributed to Mitsui's being picked out as the prime target among the zaibatsu. In fact, Dan, Ikeda and other prominent zaibatsu executives came to be seen as representatives or symbols of not just their companies and the zaibatsu, but also of capitalism itself. As the 'Prime Minister of the Mitsui kingdom' and the leading representative of the Industrial Club and the Japan Economic Federation, Dan opposed the rise of labor union movements in 1929-30, and even arranged a blockade in the Diet of the Hamaguchi Cabinet's watered-down labor law bills in June 1930. Fujihara Ginjiro, the head executive of Oji, was also very active in opposing the labor law bills. All zaibatsu leaders were against the Hamaguchi
Cabinet's labor bill, but Mitsui executives were the most prominent spokesmen. This contributed to the image of the zaibatsu, especially Mitsui, as being selfish and indifferent to the plight of the everyday working person. Ironically, during the wave of labor strikes in 1921-1922, Kawasaki, Sumitomo, and Mitsubishi had been hit the hardest, while Mitsui had been spared. Other Mitsui executives of the early 1930's, such as Ikeda Seihin, Yasukawa Yūnosuke, and Makita Tamaki, were better-known than their counterparts in the equivalent companies of Mitsubishi (e.g. as Kushida, Miyakegawa, or Mitani), Sumitomo or other zaibatsu. In general, Mitsui had comparatively well-developed precedents for managerial enterprise, popularly known as bantō-seiji, (although not to the same extent as Sumitomo), as opposed to family business and management. One of the few common points for both Nakamigawa and Masuda was their emphasis on recruiting talented university graduates. This plus the greater number of opportunities (companies) for an executive to gain experience and to cultivate his own reputation, produced greater numbers of talented and well-known top executives among Mitsui companies than those of other zaibatsu. One result of having a wealth of human resources at the managerial level was that Mitsui's public profile was again increased.

(D) Mitsui's Preeminence in the Economy

Of the subsidiaries which occupied oligopolistic positions in their respective markets, Mitsui Bussan's activities within the Mitsui zaibatsu structure greatly augmented Mitsui's profile compared to that of Mitsubishi or Sumitomo, whose larger subsidiaries dealt mainly with industrial buyers. Bussan had built up a reputation as a 'sharp,' commercialistic company through its history. The practices of Bussan's executive director "Razor" ("Kamisoriyasu") Yasukawa Yūnosuke, such as the one at the time of the Shanghai Incident, did little to erase Bussan's image
as the paragon of "commercialism" and "selfish profiteering" in the eyes of the public. Bussan also dealt in raw silk, rice, eggs, and soya beans, among other consumer goods and agricultural products; therefore Mitsui had far greater contact with the rural populace and general public. Yasukawa also diversified the trading company into areas such as dairy produce, agricultural products, and farm equipment, as well as taking an active part in the re-organization of rural merchandise distribution networks. Bussan's involvement in local markets actually improved the income of the small-scale manufacturer through the injection of technology and capital: however, this created even more contact with the rural and consumer populations and incited protests from the small merchants who claimed to be threatened by Bussan's intrusion.\textsuperscript{108} In addition, under Yasukawa, Bussan increased its emphasis on the domestic sales (Table II), which helped mitigate the impact of the tariffs and duties imposed on Japanese goods by other countries.

<table>
<thead>
<tr>
<th>Year</th>
<th>(a) Domestic sales</th>
<th>(b) Total Transactions</th>
<th>(a)/(b) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921-1927 avg</td>
<td>252,833</td>
<td>1,012,664</td>
<td>24.96</td>
</tr>
<tr>
<td>1928</td>
<td>421,853</td>
<td>1,265,045</td>
<td>33.35</td>
</tr>
<tr>
<td>1929</td>
<td>466,875</td>
<td>1,323,980</td>
<td>35.26</td>
</tr>
<tr>
<td>1931</td>
<td>322,954</td>
<td>841,732</td>
<td>38.37</td>
</tr>
<tr>
<td>1932</td>
<td>359,232</td>
<td>948,205</td>
<td>37.89</td>
</tr>
<tr>
<td>1933</td>
<td>494,911</td>
<td>1,233,560</td>
<td>40.10</td>
</tr>
</tbody>
</table>


This meant that Bussan's domestic profile was increasing even more at a time when other trading companies were attempting to catch up with Bussan through increasing import-export transactions. Meanwhile, the performances of other trading companies were still nowhere near Bussan's. For example, in the
years 1928-1931, Mitsui Bussan, despite its emphasis on the domestic market, led all Japanese trade companies in import-export and trilateral trade.\textsuperscript{109} The nearest competitor, Mitsubishi Shōji (Trading), averaged per annum about 34% of the transaction volume and 3% of the profits of Mitsui Bussan during 1928-1931, as shown below.

Table III-A Comparison of the Profits of Mitsubishi Shōji and Mitsui Bussan for 1927-1933

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui Bussan</th>
<th>Mitsubishi Shōji</th>
<th>C/A</th>
<th>D/B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A Profits</td>
<td>B Transaction</td>
<td>C Profits</td>
<td>D Transaction</td>
</tr>
<tr>
<td></td>
<td>(Units)</td>
<td>Volume</td>
<td>Volume</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In ¥1,000</td>
<td>In ¥1 million</td>
<td>In ¥1,000</td>
<td>In ¥1 million</td>
</tr>
<tr>
<td>1927</td>
<td>15,574</td>
<td>1,167.5</td>
<td>1,836</td>
<td>401.9</td>
</tr>
<tr>
<td>1928</td>
<td>17,652</td>
<td>1,265.0</td>
<td>2,292</td>
<td>462.3</td>
</tr>
<tr>
<td>1929</td>
<td>17,558</td>
<td>1,324.0</td>
<td>387</td>
<td>439.1</td>
</tr>
<tr>
<td>1930</td>
<td>13,582</td>
<td>1,080.5</td>
<td>389</td>
<td>347.0</td>
</tr>
<tr>
<td>1931</td>
<td>11,638</td>
<td>841.7</td>
<td>-1,794</td>
<td>278.2</td>
</tr>
<tr>
<td>1932</td>
<td>11,901</td>
<td>948.2</td>
<td>1,397</td>
<td>418.1</td>
</tr>
<tr>
<td>1933</td>
<td>20,784</td>
<td>1,233.6</td>
<td>2,622</td>
<td>567.9</td>
</tr>
</tbody>
</table>


Mitsui Kōzan produced an estimated 25% of the average annual total national output for 1931-33, while accounting for at least 19% of the national total for paid-up capital of coal and metal companies. The nearest competitor was Mitsubishi, with 13% of the total coal production for 1931-33, and 19% of the national total corporate paid-up capital.\textsuperscript{110} The table below gives a general idea of Mitsui Kōzan's performance relative to some of the other zaibatsu mining companies.
Table IV-A Comparison of the Net Profits of Five Zaibatsu Mining Companies
(Unit: ¥1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>aMitsui</th>
<th>Mitsubishi</th>
<th>bFurukawa</th>
<th>Okura</th>
<th>cSumitomo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>5,837</td>
<td>6,791</td>
<td>2,581</td>
<td>5</td>
<td>---</td>
</tr>
<tr>
<td>1928</td>
<td>6,639</td>
<td>7,434</td>
<td>3,038</td>
<td>-122</td>
<td>1,784</td>
</tr>
<tr>
<td>1929</td>
<td>6,751</td>
<td>7,735</td>
<td>3,786</td>
<td>-235</td>
<td>3,271</td>
</tr>
<tr>
<td>1930</td>
<td>4,953</td>
<td>4,625</td>
<td>---</td>
<td>-753</td>
<td>-725</td>
</tr>
<tr>
<td>1931</td>
<td>3,747</td>
<td>2,589</td>
<td>---</td>
<td>-1,027</td>
<td>-1,256</td>
</tr>
<tr>
<td>1932</td>
<td>5,718</td>
<td>3,811</td>
<td>---</td>
<td>-1,937</td>
<td>551</td>
</tr>
<tr>
<td>1933</td>
<td>8,832</td>
<td>9,355</td>
<td>---</td>
<td>82</td>
<td>3,625</td>
</tr>
</tbody>
</table>


a. Includes dividends from investments into other companies, but does not include the actual profits of Hokkaidō Colliery, Kaimashi, or other subsidiaries of Mitsui Kōzan.
b. Statistics unavailable for 1930-33
c. Calculated by adding the net profits of Sumitomo Shindōkōkan (Rolled Copper and Steel Pipe), Besshi Copper Mine, and Coal Division.

As seen above, in terms of profits, the only company comparable in performance to Mitsui was Mitsubishi. However, Mitsubishi Kōgyō (Mining) was perceived within the industry as having old and outdated equipment in comparison to Mitsui. Part of the reason for Mitsubishi Kōgyō's inability to invest in new equipment stemmed from the fact that it offered a portion of its shares to the 'public,' that is, its executives and employees. In accordance with Iwasaki Koyata's 'shareholders-first' announcement, dividend rates to shareholders were forcibly kept at high rates during the recessionary periods, thereby limiting the build-up of financial reserves, which in turn, handicapped investment into new equipment.111 Furthermore, during the Depression, Mitsubishi Kōgyō suffered greater setbacks...
than Mitsui Kōzan, as indicated by the profits for 1931-32. In those years, a series of Mitsubishi mines, including the Yoshioka, Arakawa and Takato mines, were forced to either halt or reduce operations.\textsuperscript{112} Despite the fact that its profits were based more on coal (which was experiencing a long-term decline in prices due to new fuels) than Mitsubishi, Furukawa and Sumitomo, which had more metal mines, Mitsui Kōzan's profits remained comparatively high. Mitsui Kōzan's performance during the Depression was aided by the long-term growth of its Dyestuffs division, and its investments in chemical industries. In effect, as was the case with trade, Mitsui's position in mining was significantly stronger than its nearest competitor.

In finance, Mitsui Trust was at the top of its field. In 1929, Mitsui Trust had 26 to 29\% of the total national trust company reserves. The Mitsui Trust's nearest competitor, Yasuda, had 17.7\% of the national total, and the third place company, Sumitomo Trust, had 14.6\%.\textsuperscript{113} Mitsui Seimei and Taishō Marine and Fire Insurance were near the bottom of their fields. For example, Mitsui Seimei's reserves were only 6\% of the leader, Meiji Seimei-(Mitsubishi).\textsuperscript{114} Nevertheless, some improvements in its comparative position occurred, as indicated by the fact that in 1928, Mitsui Seimei was 31st of all Japanese life insurance companies, but in 1929, it had climbed to 23rd spot.\textsuperscript{115}

Mitsui Bank, as with the other large banks, ended up with a larger share of the banking business as a result of the 1927 Financial Crisis and the new banking law of March 1927. In Mitsui Bank floated almost twice the value of corporate bonds as the next bank, Yasuda.\textsuperscript{116} In terms of deposits, Mitsui was near the top (Table V), in spite of the fact that as of 1933, Mitsui, as with Mitsubishi, had only 25 branches, in contrast to Dai-Ichi's 60, Sumitomo's 82, Yasuda's 148.\textsuperscript{117}
Table V-A Comparison of the Deposits Held by the Big Five Banks  
(Unit: ¥1 million—Numbers in parentheses are % of the National total)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui</th>
<th>Mitsubishi</th>
<th>Sumitomo</th>
<th>Yasuda</th>
<th>Dai-Ichi</th>
<th>Nation total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>(6.1) 650</td>
<td>(5.1) 471</td>
<td>(6.0) 553</td>
<td>(7.8) 713</td>
<td>(5.7) 521</td>
<td>9,189.30</td>
</tr>
<tr>
<td>1928</td>
<td>(6.7) 606</td>
<td>(6.2) 562</td>
<td>(7.1) 643</td>
<td>(8.0) 722</td>
<td>(6.6) 597</td>
<td>9,032.05</td>
</tr>
<tr>
<td>1929</td>
<td>(7.1) 660</td>
<td>(6.4) 600</td>
<td>(7.1) 663</td>
<td>(7.1) 658</td>
<td>(6.7) 629</td>
<td>9,343.28</td>
</tr>
<tr>
<td>1930</td>
<td>(7.6) 666</td>
<td>(7.1) 623</td>
<td>(7.8) 680</td>
<td>(7.0) 590</td>
<td>(7.2) 628</td>
<td>8,731.07</td>
</tr>
<tr>
<td>1931</td>
<td>(7.7) 637</td>
<td>(7.4) 637</td>
<td>(8.1) 667</td>
<td>(7.3) 607</td>
<td>(7.8) 649</td>
<td>8,274.15</td>
</tr>
<tr>
<td>1932</td>
<td>(8.1) 688</td>
<td>(7.5) 640</td>
<td>(8.6) 735</td>
<td>(7.6) 644</td>
<td>(8.4) 783</td>
<td>8,525.24</td>
</tr>
</tbody>
</table>


As an example of the gap that existed between the Big Five and most of the other banks, of the mid-size banks, Nomura's annual average of deposits was ¥142 million over 1927-32, while Yamaguchi averaged ¥345 million. In 1931, none of the mid-size banks had deposits that amounted to more than half of Mitsui's total: for example, the Kawasaki 100th Bank had ¥306 million in deposits, the 34th Bank ¥420 million, Kōnoike ¥162 million, and Furukawa Bank, in what was to be its last year of operation, had ¥28 million. In terms of loans, Mitsui ranked second behind Yasuda for 1927-1931, and third in profits with roughly ¥8.9 million per year average for 1927-31, behind Yasuda (¥10.4 million) and Dai-Ichi (¥9.9 million).

Among Mitsui's other subsidiaries, Ōji was able to take over Ōkawa Heisaburō's Fuji Seishi when it was able to buy the shares of the major shareholder of Fuji, Anamizu Yōhichi upon his death in 1929. Dan Takuma opposed the merger plans in fear of the public reactions to such a move. Once Dan was killed, the proceedings for the merger of the two companies began in October 1932, and the merger was finalized in May 1933. The result, the new "Dai-Ōji Seishi," had a stranglehold on the Japanese paper industry. Ōji and Fuji
Seishi together produced about 56% of the total national output of Western style paper in 1928 and about 84% by 1933,\textsuperscript{122} and Ōji alone supplied about 30% of total pulp exports to Manchuria during 1928-31.\textsuperscript{123}

Shibaura was the number one producer of electrical machinery, especially electric generators,\textsuperscript{124} Kanebō was one of the two top cotton spinning mills in Japan,\textsuperscript{125} and Japan Flour Mills produced an estimated 35 to 44% of Japan's total output of flour, while Dai-Nippon Sugar and two other Mitsui sugar companies produced an estimated 71% of the 1933 Japanese total sugar production.\textsuperscript{126} Toyo Rayon increased its profits, percentage share of the total Japanese rayon production, and gross tonnage output of rayon, in every year from in 1926 to 1932.\textsuperscript{127}

In terms of revenues for the holding company, Mitsui Gōmei, it recorded considerably more profits per year between 1927 and 1933 than any other zaibatsu holding company, including Mitsubishi Gōshi (Limited Partnership), Sumitomo Gōshi, and Yasuda Hōzensha (Family Corporation) (Table VI).
Table VI-Net Profits of the Big Four Zaibatsu Holding Companies
(Unit: ¥1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui</th>
<th>Mitsubishi</th>
<th>Sumitomo</th>
<th>Yasuda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927-28</td>
<td>22,142</td>
<td>7,041 ‾b{+522}</td>
<td>1,112 ‾b{+68}</td>
<td>1,877 ‾b{+274}</td>
</tr>
<tr>
<td>1928-29</td>
<td>22,664 ‾b{+123}</td>
<td>10,974 ‾b{+3439}</td>
<td>1,180 ‾b{+1908}</td>
<td>2,151 ‾b{+62}</td>
</tr>
<tr>
<td>1929-30</td>
<td>22,787 ‾b{-4735}</td>
<td>14,413 ‾b{-7975}</td>
<td>3,088 ‾b{-3529}</td>
<td>2,213 ‾b{-599}</td>
</tr>
<tr>
<td>1930-31</td>
<td>18,052 ‾b{-3162}</td>
<td>6,438 ‾b{-4094}</td>
<td>-441 ‾b{-53}</td>
<td>1,614 ‾b{-1,488}</td>
</tr>
<tr>
<td>1931-32</td>
<td>14,890 ‾b{-2209}</td>
<td>2,344 ‾b{-806}</td>
<td>-388 ‾b{-101}</td>
<td>126 ‾b{-52}</td>
</tr>
<tr>
<td>1932-33</td>
<td>12,681 ‾b{+13,374}</td>
<td>1,538 ‾b{+3538}</td>
<td>-287 ‾b{-2321}</td>
<td>74 ‾b{+428}</td>
</tr>
<tr>
<td>1933</td>
<td>26,055</td>
<td>5,076 ‾b{(19.5%)}</td>
<td>2,034 ‾b{(7.8%)}</td>
<td>502 ‾b{(1.9%)}</td>
</tr>
</tbody>
</table>


(E) The Effects of the Depression on Mitsui

However, the Showa Depression did have a significant impact on Mitsui Gōmei's profits. Matsumoto Hiroshi, in *Mitsui Zaibatsu no Kenkyū*, summarized the indicators of Mitsui's financial difficulties in 1931-32 as: the absence of any capital expansion or increases in its paid-up capital, the lack of growth in profits, and the losses recorded by some of the subsidiaries. These and other negative trends in Mitsui's business performance up to 1932-33 will be summarized in order to see if in fact, despite Mitsui's success outlined above, financial decline (negative internal incentives) could have been an incentive for the tenkō.
The combination of the Depression, the resultant increase in tariff rates and the emergence of the bloc economies, plus the economic sanctions against Japan for its activities in Manchuria, produced trends which were not immediately advantageous for the zaibatsu trading companies. Interestingly enough, although previous military conflicts, such as the Satsuma Rebellion, the Sino-Japanese War, Russo-Japanese War, World War I, and the Shantung Expeditions resulted in positive jumps in Bussan's profits, this was not the case with the Manchurian Incident. For example, during 1931 and 1932, Mitsui Bussan's transaction volume and net profits dropped below the 1921-1927 annual average of ¥13,535,000 for the first and only time in the years 1927 to 1940. It should be noted that for Mitsui, since Bussan generated an average of 50.8% of all revenues for Gōmei from chokkei (direct) company dividends between 1923-1932, or 42% of total dividend revenues for the same period (securities dividends accounted for an annual average of 76.8% of 1923-32 Gōmei revenues), large changes in trade performances had more importance for Mitsui than for any other zaibatsu. Thus, even a small percentage loss sometimes meant a large gross loss for Mitsui because of its size.

Moreover, despite new shipping subsidies starting in 1932, Mitsui Bussan's average annual profits from sea transport did not increase significantly. For 1928-1930 Bussan's profits from shipping totalled ¥1,430,000 (8.8% of total annual average profit), while the annual average for 1931-1936 was ¥1,443,000 (9.8%). It was not until the 1937-1940 period that shipping increased its profit output significantly (6.5 times increase from the 1931-1936 average).

At the shareholders meeting on June 26, 1931, Shibaura announced a capital decrease from ¥20 million to ¥10 million. Although Shibaura was the leading machinery manufacturer, it was not operating in the black. In the early 1920's, it had grown rapidly, but from 1927 to 1932, it reported in the red for five out
of the six years, its losses totalling ¥12,889,000 against the 1929 profit of ¥102,000.\textsuperscript{135} Denki Kagaku's loans were increasing at a rapid rate during 1928-31, especially 1930-31,\textsuperscript{136} while Kanebō's profits were declining early 1930's.\textsuperscript{137} In addition, Kanebō's dividend rate was down from 38% (1926) to 28% by 1931, while there were no dividends from Denki Kagaku for 1931-32, Nihon Seikōjo during 1931 and the first half of 1932, Tōshin Sōko from the second half of 1930, and 1927 on from Shibaura.\textsuperscript{138} In the second half of 1931, Nihon Seikōjo decreased capital down by half from 20 million as a result of the incorporation of Wanishi, and in Tokyo Dentō's takeover of another Tokyo electric power company in the same year, Mitsui Gōmei lost ¥1,875,000.\textsuperscript{139} Kaimashi Kōzan lost ¥3.46 million in 1924-32 and made only ¥249,000 during that time.\textsuperscript{140}

In order to provide the paid-up capital for the 1920 Mitsui Kōzan capital increase to ¥100 million from ¥50 million, Gōmei had to borrow ¥20 million from the Bank. This loan was paid off by 1930. However, only ¥19.5 million of the ¥50 million capital increase was paid-up until 1934, when the second payment took place (¥62.5 million total paid-up capital).\textsuperscript{141} The expansion of the 1920's meant capital outlays to obtain at least a controlling share in the subsidiaries, which limited Gōmei paying into its direct and ordinary subsidiaries.\textsuperscript{142}

Did the above trends constitute a deterioration of enough significance to provide an incentive for reforms on the scale conducted by Ikeda, as suggested by Matsumoto? It seems unlikely that the decrease or absence of dividends from some of its subsidiaries would constitute a crisis. Bussan, the Bank and Kōzan accounted for most of Gōmei's dividend earnings, so that the periods of loss for ordinary subsidiaries had relatively little significance on Mitsui Gōmei's total profits.
Table VII—Amount of Mitsui Gōmei Dividend Revenues Derived from the Mitsui Bussan, Mining and Bank (Units: %)

<table>
<thead>
<tr>
<th>Year</th>
<th>(1st half)</th>
<th>(2nd Half)</th>
<th>Year</th>
<th>(1st half)</th>
<th>(2nd Half)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>77.7</td>
<td>79.7</td>
<td>1929</td>
<td>79.9</td>
<td>79.8</td>
</tr>
<tr>
<td></td>
<td>(2nd Half)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1928</td>
<td>80.1</td>
<td>81.7</td>
<td>1930</td>
<td>78.1</td>
<td>80.0</td>
</tr>
<tr>
<td></td>
<td>(2nd Half)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td>81.5</td>
<td>82.9</td>
<td>1932</td>
<td>80.4</td>
<td>85.3</td>
</tr>
</tbody>
</table>


Admittedly, in the period from 1930 to the end of 1931, Mitsui Gōmei expenditures remained generally constant while the net profits were decreasing. Mitsui Bussan's drop in profits did have a negative impact, but as the trading company still produced about ¥11 million per year in profits for 1931-32, and the other two main companies also generated large profits, the overall situation for Gōmei was hardly critical. During the post-World War I depression, especially after 1921, profits had declined as well, but no major reform was undertaken. A drop in profits, or losses by subsidiaries outside of its Big three, were by themselves not enough of an incentive for a reform of any type.

The loan situation was more important in that it was an indication that there was a shortage capital reserves for Mitsui's overall rate of expansion. However, that is to say that Gōmei itself had insufficient internal funds for further expansion and consolidation, which was not the same as a shortage of operating capital or funds to save subsidiaries from bankruptcy, or loss, as was the case during the Bakumatsu period. Furthermore, in 1932, unlike during 1919-1929, Gōmei did not have any loans outstanding from the Bank, and Bussan and Kōzan had consistently decreased the amount on their loans from the Bank since World War I. Moreover, the initial downward trend after the Manchurian Incident began to boomerang. The rapid recovery of Bussan and Kōzan in 1933 were indications of this positive effect on certain sectors of the economy. Heavy industries, machinery
producers, chemicals industries, and other munitions related fields were presented with a proto-monopsonist (the military) with a high consumption rate. Increased overall export-import volumes (to generate national revenues to fund military expenditure), and the growth of the Manchurian market after February 1932 benefitted companies such as Ōji and Onoda, as they were leading exporters of paper and cement to Manchuria. If there was a problem with Gōmei's internal financial environment, it was that the Big Three, Bank, Bussan and Kōzan, accounted for such a high percentage of profits, especially during recessionary times. This situation was in fact beginning to be alleviated by the recovery of subsidiaries in high growth industries and the expansion of the Manchurian market.

To summarize, by the time Ikeda Seihin became the head executive director of Mitsui Gōmei in April 1933, almost every subsidiary was experiencing, or beginning to experience, an upward swing in terms of profits, and this had not been preceded by any business-oriented reforms.

In terms of percentage decline in net profits, at the nadir in 1932, Mitsui's profits had declined by about 45% of its 1929 total, whereas the other Big Four zaibatsu declined by 90% or more. In international circles, Du Pont, one of the American firms which experienced the least profit decline from 1929 to 1932, saw its profits drop by 67% in the three year span; International Harvester's profits declined by 80%; Ford went from a $82 million profit in 1929 to a $75 million loss in 1932; Chrysler's income went from $22 million in 1929 to a loss of $11 million in 1932; Krupp reported a loss of 30 million marks for 1931-32; and J. P. Morgan % Co.'s net worth declined by about 55% from 1929 to 1932. IG Farben's net profits decreased by only 39% during 1929 to 1932, making it one of the very few big companies in the world to minimize the downward trend more effectively than Mitsui.
Clearly, despite the diminished profits of 1931-32, by 1932-33, Mitsui did not have as much internal incentive for reform as other zaibatsu in the early 1930's. Nor was the financial situation in 1932-33 comparable to the internal financial crisis faced by Mitsui during the Bakumatsu period or the 1890's. In Mitsui's previous reform periods under Minomura and Nakamigawa, Mitsui was faced with internal financial problems. The reforms of the Bakumatsu and the 1890's, although unpopular with a number of the Mitsui family members, were accepted as there were internal and/or external pressures. The 1909 reforms of the corporate structure under Masuda were not a direct result of any immediate internal crisis. In this point, Ikeda's reforms and Masuda's reforms can both be classified as preemptive reforms. Interestingly, Masuda was inspired by his observations from his trip to Europe and the U.S.A. (June-Nov. 1906) in developing his ideas for reform. Likewise, Ikeda was inspired by his 1929 trip abroad to advocate his reforms. Nevertheless, the Masuda reforms augmented the Mitsui clan's financial control of its operations, and centralized the decision making process to eliminate inter-company rivalry, changes which increased profits. On the other hand, on paper, Ikeda's suggestions of 1931-32 ostensibly would not result in an increase in Mitsui revenues, and furthermore, decrease the Mitsui clan's financial control of its various enterprises.

On his trip to Europe and the U.S., Ikeda met with leading businessmen of the West, including Owen D. Young (of Young Plan fame at the time) and Gerald Swope of General Electric, two of the most powerful advocates of the "Ethic of Social Responsibility of Corporations," On his return, Ikeda advocated reforms to Dan in 1931-32. These suggestions can be summarized as follows: 1) Loosen the control of the Bank: the Western 'zaibatsu' did not need control over cumbersome Banks or own more stocks than they "needed"; 2) Most Western conglomerates did not publicize the family name through success in business
operations but from philanthropic and social welfare foundations; therefore, the Mitsui name should be removed from the companies and used only for philanthropic enterprises; 3) In Germany, there were no corporation presidents who occupied their position simply because of blood lines or heredity (the criteria for the presidency was ability); hence, the Mitsui clan should resign from executive positions; 4) Eliminate unnecessary competition with small merchants and reduce their monopolistic position in various areas while promoting industries that would serve the national interests; 5) Zaibatsu executives should take responsibility for their own actions rather than trying to change government policies to their own advantage.148

Although Dan had used similar rhetoric during his tenure as Gōmei chief, (such as diluting the market control of the big zaibatsu and refraining from political activity),149 Ikeda's reforms went much further. More specifically, these reforms essentially aimed at a diminution of central control via a reduction in Gōmei shareholdings, and a repudiation of methods used by Bussan to generate huge profits. Such results were not deemed desirable by the Mitsui family. Ikeda had a very difficult time in convincing the Mitsui clan of a need to establish the Hō-onkai, resign from their positions, or fire Yasukawa, even after Dan's assassination.150 Moreover, as explained above, there were no major internal financial or personnel difficulties prior to 1932-33. Ultimately, the significance was not in Ikeda's suggestions in themselves, but in the development of external pressures which resulted in Dan's assassination, which in turn, created the opportunity for Ikeda to implement his policies. In light of the evidence, it seems improbable that the Mitsui family would have acquiesced to Ikeda's plans if there had not been immediate and urgent external pressures.
Notes to Chapter One: The Causes of the Reforms

1 See for example Minobe Tatsukichi, "Gikai Seido no Kiki" (The Emergency of the Parliamentary System), Chūō Koron, March 1931, pp. 34-36.


3 Mitsubishi supported Ōkuma and the Kaishintō against the government in the mid-1880's as there were no other patrons left in the government, while Mitsui funded Gotō Shōjirō and Itagaki Taisuke's trip abroad most likely at the behest of the government. The formation of the K.U.K. by the government (and Mitsui) was to some extent related to the Mitsubishi-Kaishintō alliance. See Wray, Mitsubishi and the N.Y.K., pp. 146-163; Joyce Lebra, Ōkuma Shigenobu: Statesman of Meiji Japan (Canberra: Australian National University Press, 1973), p. 72-75; and Robert Scalapino, Democracy and the Party Movement in Pre-War Japan (Berkeley: University of California Press, 1955), p. 110.


6 Noda was the Minister of Communications in the Hara Cabinet.

7 Mutsu had close ties with Furukawa as well as Mitsui. Hara and Okazaki severed all official links to Furukawa when they left. In 1908, Nakajima Kumakichi, appointed to the Furukawa Gōmei board of directors to replace Hara, took over Hara's ¥50,000 share of Furukawa Gōmei. Yasuoka Shigeaki, "Zaibatsu Shihon no Seikaku ni Tsuite no Shiron" (Characteristics of Zaibatsu Capital-In Comparison with the Rothschilds and the du Ponts), Keiei Shigaku, 13, No. 3 (October 1978),
12; see also Nishinoiri Aiichi, Asano, Shibusawa, Okawa, Furukawa (Tokyo: Haruaki Sha, 1937), p. 242. However, Hara continued to 'advise' (direct) Furukawa, along with Inoue Kaoru, until 1913, when he decided to withdraw from his de facto position in the Furukawa zaibatsu. Hara Kei, Hara Kei Nikki (The Hara Kei Diary) (Tokyo: Kangensha, 1951), Vol. 5, pp. 371-373. Okazaki was Mutsu's cousin. Okazaki was also reportedly considered by N.Y.K. for its vice-presidency in 1914. Wray, Mitsubishi and the N.Y.K., pp. 474-475.

8 See Najita, Hara; and Duus, pp. 32-34.


10 Hara, Hara Kei Nikki, Vol. 6, p. 237.

11 Yamamoto Teijirō was the ex-head of Taiwan Sugar, a company which Mitsui established in 1900.

12 Scalapino, p. 283, n. 75. The two Yamamotos contributed ¥300,000 each, while Takahashi put in ¥200,000.

13 The term "banto" will used as an equivalent to "manager" rather than in the specific sense used by Morikawa in his works. See for example, Morikawa Hidemasa, Business History of the Zaibatsu.

14 For statistics from the 1930 Diet see Tiedemann, pp. 280-281; also Scalapino, pp. 283-284; and Sasa Hiroo, "Wagakuni Kinyū Kato Seiji (Our Country's Financial Oligarchy)," in "Gendai Taishu Tokuhon" section of Chūō Kōron, July 1931, p. 6.

15 For example, one of Ikeda Seihin's sisters married Katō Takeo, Mitsubishi Bank director, while Katō's sister married a Mitsukoshi auditor. There were plenty of other cases where an individual politician or businessmen had several ties to various zaibatsu or hanbatsu through marriage, lineage, positions or school-grading year. Inukai Tsuyoshi, for example, was the leader of the Seiyūkai, but was a Keio graduate (like Nakamigawa, Asabuki and Toyokawa) who had worked with Fukuzawa Yukichi and Ōkuma Shigenobu; thus, Inukai was linked to both Mitsui and Mitsubishi. However, it should be noted that not all marriage links resulted in friendly relations; for details see Conclusion.

17 For a full list of Japan Economic Federation petitions and advisory reports to 1932, see Ibid., pp. 200-201

18 Sakamoto Fujiyoshi, pp. 198-199; and Murai Misao, Hyakunin no Zaijaijin (Tokyo: Diamond sha, 1967), pp. 24, 80. For recollections on the pre-war details of the Industrial Club see Nihon Kōgyō Club, ed. Zaijai Kaisō Rokuryō, Vol. 1, 2 (Tokyo: Nihon Kōgyō Club, 1967). Another prominent director was Wada Toyoji, an ex-Kanegafuchi executive who headed Fuji Gas Bōeki, a company affiliated with Mitsubishi. For details on Nakajima's relations with Furukawa, see Chapter III-1-C.


30 For example Furukawa Shōji (Furukawa Trading) went bankrupt in 1920.

31 One reaction to the inflation was the famous Rice Riots of 1918.


33 However, the officers involved in the Feb. 26 Rebellion were mostly from well-to-do urban families; see Ben-Ami Shillony "The Feb. 26 Affair: Politics of a Military Insurrection," in Crisis Politics in Pre-War Japan, ed. George Wilson, p. 26.
96% of Japan's raw silk exports went to the U.S. Ariga Nagabumi, "Japanese-American Economic Interdependence," Contemporary Japan, 1, No. 2 (Sept. 1932), 198.

See Hugh Patrick, p. 219.


See Nakamura Takafusa, Economic Growth in Pre-war Japan, p. 23.

For details on the Hamaguchi Cabinet's rationalization policies see Takahashi Kamekichi, Zaikai Hendo shi (Fluctuations in the Financial World), Vol. 2, pp. 1206-1225.

However, according to Kodama Kenji, President of Yokohama Specie Bank, the money value and volume of exports decreased from 1928 (1st half) to 1931 (1st half), the physical volume expanded by 3-5%. See Kodama Kenji, "The Trade Outlook," Contemporary Japan, 1, No. 1 (June 1932), 31.

For statistics see, Kusama Yasoh, "Coping With Unemployment," Contemporary Japan, 1, No. 2 (Sept. 1932), 293.

Yamamuro Sobun, "Economic Depression and the Gold Embargo," Contemporary Japan, 1, No. 1 (June 1932), 53.


For the effects of the depreciated sterlin on Britain's export and merchant marine trade see A. Andreades, "Japanese Finance Since the War," Foreign Affairs, 10, No. 3 (April 1932), 500.

For the details on the decrease in Japan's exports to China and inverse increase in Britain's China exports, see Onishi Hitoshi, "Shina no Han-Nichi Undō" (The Anti-Japanese Movement in China), Chūō Kōron, June 1934, pp. 300-304.


This prompted harsh criticisms of Inoue in return from the business circles, economic journalists and economists. See for example in the Tōyō Keizai Shinpō, No. 1481, Jan. 9, 1932, "Doru Gai Mondai no Sekinin o Akasu beshi" (The True Responsibility for the Dollar-Buying Problem Must Be Revealed) pp. 176-177;


49 See for example Russell, p. 247.

50 Sugiyama Kazuo, "Ikeda Seihin-Tenkanki ni Okeru Zaibatsu no Kaikakusha" (Ikeda Seihin-The Zaibatsu Reformer at the Reform Period), in Nihon no Kigyōka, Vol. 3 (Showa), ed. Morikawa Hidemasa (Tokyo: Yūsan Kaku, 1978), pp. 138-139; Shinbun Shūsei-1931, pp. 683, 683-684, 700, 724, 725, 747, 749; Shinbun Shūsei-1932, pp. 3, 30; Ikeda, Zaikai, pp. 166-167. There was also a fiction series that ran in the Tokyo Asahi that featured a character (villain) based on Ikeda; see Imamura, p. 198. One possible reason for the 'demagogy' was the fact that many of the newspapers' main incomes were from subscribers, not advertisers, so they had to cater to the common reader. See Tsurumi Yusuke, "Japan in the Modern World," Foreign Affairs, 9, No. 2 (Jan. 1931), 256.

51 Tōyō Keizai Shinpō. No. 1481, Jan. 9, 1932, p. 231. The total amount of dollars bought in those three months was ¥510,000,000-see Yasuda Ginkō 60-nen shi (Tokyo: Yasuda Ginkō, 1940), p. 366. Accordingly, the total for the three companies in those three months accounted for 18.4% of the ¥510 million.

52 The National City Bank, despite being a foreign bank, issued an official public statement on Dec. 8, 1931, 5 days after Bussan. See Tōyō Keizai Shinpō. No. 1481, Jan. 9, 1932, p. 230; Sumitomo Ginkō, similar to Mitsui Ginkō, was attempting to switch its assets from pounds to dollars. The Sumitomo Bank was
forced to issue official explanations to Sumitomo Gōshi and other Sumitomo companies to counter the newspaper reports—see Sumitomo Ginkō 80-nen shi (Osaka: Sumitomo Ginkō, 1979), pp. 283-286.


54 Tōyō Keizai Shimpō, No. 1481, Jan. 9, 1932, p. 230; and Ikeda, Zaikai, pp. 150-153.

55 Ikeda, Zaikai, pp. 162-163.


57 On the Minseitō and the Seiyūkai see Berger, pp. 39-44. On the leftist parties see Scalapino, pp. 337-342; and Masamichi Ryōma, "Politics at Home," Contemporary Japan, 1, No. 1 (June 1932), 74-78.


59 Ironically, the Kwantung Army had eliminated Chang Tso-lin in order to replace him with Chang Hsüeh-Liang as the puppet warlord. See Iriye, "Chang Hsüeh-Liang," p. 35.

60 The bond issue totalled to ¥529,500,000. See Takahashi Korekiyo, "The 1932 Budget," Contemporary Japan, 1, No. 2, (Sept. 1932), 171; the initial request, made on March 3, 1932, was for ¥22 million—Russell, p. 255.

61 Shinbun Shūsei-1932, p. 95.

62 Russell, p. 255; and John G. Roberts, Mitsui: Three Centuries of Japanese Business (New York: Weatherhill, 1973), pp. 274-275. In addition, stories of heroic acts from the Shanghai clashes, such as the proto-kamikaze attack described in the article "Three Human Bombs," Japan Today and Tomorrow, No. 6 (1932-33), p. 60, served to highlight the zaibatsu lack of enthusiasm.

63 See for example the editorials of the Chūō Kōron, March 1931, and July 1931, where in discussing the parliamentary system of government, the possibility of a conspiracy to overthrow the system is referred to, but no specific mention is made of the March Incident; see also Ikeda's statement regarding his ignorance of


65 Ino, Nihon no Uyoku, p. 72.

66 Quoted in Ibid., pp. 70-71.

67 For details see Shillony, Revolt; Storry; and "Y," "The May 15 Case," Contemporary Japan, 2, No. 2, (Sept. 1933) 195-200; Tanaka, pp. 325-331.

68 All forty-eight plotters conveniently assembled at the Meiji Jingū Gikaikan for a meeting and were arrested by the Harajuku Police before they could go through their agenda. For more details of the Incident see Ino, pp. 63-66, 105-107; and Storry, pp. 128-134, 226, 261.


70 For details see for example Berger, pp. 38-42, 51, 103-104; see also Ikeda's account of his one lengthy talk with Saionji, and how for some reason, Saionji did not use the suffix 'san' when referring to Wakatsuki. See Kusayanagi, p. 101.

71 Interestingly, Kuhara had apparently invested his private (not corporate) funds in currency speculation on the anticipation of the reimposition of the gold embargo. Berger, p. 42, n. 19.


73 This definition of 'systemic crisis' is taken and adapted from Conrad Totman, The Collapse of the Tokugawa Bakufu (Honolulu: University of Hawaii, 1980), p. 479. The italics are mine.


76 For details see Nakamura Takafusa, Economic Growth in Pre-war Japan, pp. 199-200.


79 See for example Suzuki Mosaburō, Nihon Zaibatsu Ron; Matsushita, Mitsui, pp. 32-45.


81 For capitalization, percentage ownership, etc., see Morikawa Hidemasa, Zaibatsu no Keieishiteki Kenkyū (Tokyo: Tōyō Keizai Shimpō, 1980), pp. 174-175; also Uchida Hoshimi, "Taisho-Showa Shoki no Kagaku Kōgyō ni Okeru Gijutsu Donyū to Jishū Kaihatsu" (Introduction and Development of Technology in the Chemical Industries), Keiei Shigaku, 7, No. 1 (May 1972), 65-85; and Suzuki Tsuneo, "Miike Chisso-Tōyō Kōatsu no Setsuritsu to Gappēi" (The Foundation and Amalgamation of Miike Chisso Industries and Tōyō Kōatsu Industries), Keiei Shigaku, 20, No. 4 (January 1986), 1-28. From January 1928 on, Mitsui Kōzan (Mining) and another subsidiary, Denki Kagaku Kōgyō (Electro-Chemical Industries) operated the two nitrogen companies jointly.

82 For financial information see Takahashi Kamekichi, Nihon Zaibatsu no Kaibō, pp. 65, 103.

83 For details see Morikawa Hidemasa, Makita Tamaki Denki Shiryō (Tokyo: Nihon Keiei Shi Kenkyūjo, 1982), pp. 301-302; and Matsumoto Hiroshi, "Zaibatsu Shihon no Chikuseki Kōzō" (The Structure of Zaibatsu Capital Accumulation) in

84 For details on the formation of these two companies see Mitsui & Co., pp. 102-106.

85 For details and figures see Takahashi, Nihon Zaibatsu no Kaibō, p. 65.

86 For details and figures see Morikawa, Zaibatsu no Keieishi, p. 160; and Takahashi Nihon Zaibatsu no Kaibō, p. 60.

87 Morikawa, Zaibatsu no Keieishiteki, pp. 207-209.

88 For details and figures see Suzuki Mosaburō, Nihon Zaibatsu Ron, p. 44.


90 See Onoda Cement 70 nen shi, pp. 25-27.

91 Takahashi and Aoyama, Nihon Zaibatsu Ron, p. 235.


94 In the case of Morinaga, for example, in 1928, Mitsui Gōmei owned only 3.3% of the total paid-up capital of the Morinaga companies, but Masuda and another ex-Bussan man were two of the top directors. See Tōyō Keizai Shinpō, No. 1463, Aug. 12, 1931, p. 603; and Takahashi, Nihon no Zaibatsu no Kaibō, p. 103. Two other examples of the use of 'invisible' ties with financial ties were: Magoshi Kyōhei, who aside from operating his Dai-Nippon Beer Co., was one of the top 60 (out of a total of 2,393) shareholders of Mitsui Bank, and was very close to Masuda and Inoue Kaoru; and Fujiyama Raita, head of Dai-Nippon Sugar (Dai-Nippon Seitō), who was an ex-Mitsui Bank and Ōji Seishi man, a director of Mitsui Trust, and a son-in-law of Nakamigawa, whose company received capital financing


96 Takahashi, Nihon Zaibatsu no Kaibō, p. 71. For more details on Mitsukoshi and department stores in general see Motoi Tasaga, "Hyakkaten to Kourishō no Kyōsō" (Competition Between Small Retailers and the Department Stores), Chūō Koron, June 1934, pp. 247-253; according to this article, by 1934, Mitsukoshi had lost its pre-dominant position in the department store market.

97 See Shinbun Shūsei-1931, p. 668.

98 For details see Morikawa, Zaibatsu no Keieishi, pp. 187-194.

99 The following description of Mitsui Bussan's Shipping and Shipbuilding Departments is based mainly on Mitsui & Co., pp. 94-102; and Togai, pp. 149, 153-154.


For example, Sumitomo Gōshi director Kawada Jun was also against labor unions because of the 'cultural differences' between Japan and the West. See Kawada Jun, *Sumitomo Kaisōraku* (Tokyo: Chūō Koron, 1952), p. 155.

See Sakamoto Fujiyoshi, p. 200.

The term "managerial enterprise" is used as defined in Alfred D. Chandler, Jr., "The United States: Seedbed of Managerial Capitalism," in *Managerial Hierarchies: Comparative Perspectives on the Rise of the Modern Industrial Enterprise*, ed. Alfred D. Chandler, Jr. and Herman Daems (Cambridge, Mass.: Harvard University Press, 1980), p. 14: "Firms in which representatives of the founding families or of financial interests no longer make top-level management decisions—where such decisions are made by salaried managers who [usually] own little of the companies' stock."


Although as is generally known Nakamigawa recruited from Keiō and Masuda from Hitotsubashi. For details on Mitsui Bussan's recruitment of university graduates see Yonekawa Shinichi, "University Graduates in Japanese Enterprise before the Second World War," *Business History*, 26, No. 2 (July 1984), 203-209.


Sannomiya Korenobu, *Nihon Zaibatsu no Jisshitsu o Kataru* (Tokyo: NichiMan Keizai Chōsa sho, 1934-1935), pp. 38-41. However, it should be noted that the estimates for Mitsui's percentage of the national coal output for 1931-33 range from 14.6% to 31%. The low estimate is calculated from Yasuoka Shigeaki,

111 Takahashi, Nihon Zaibatsu no Kaibō, pp. 140-142.


115 Takahashi, Nihon Zaibatsu no Kaibō, p. 99.

116 Mitsui Ginkō100 nen-shi, p. 145.

117 Ibid., p. 182.


119 "Financial Situation in 1931 and Phases of Gold Hoarding," Japan Today and Tomorrow, No. 5 (1931-32), p. 53; the sum for Furukawa is from Morikawa, Zaibatsu no Keieshi, p. 127.

120 Calculated from Sumitomo Ginkō 80-nen shi, p. 276.


124 For details see Shibaura Seisakujō 65-nen shi (Tokyo: Shibaura Seisakujo, 1940). However, Shibaura's share of the total national market was not particularly large. As was the situation with department stores, the electrical
machinery field was not dominated by one company in the early 1930's. Hitachi Seisakujo (Kuhara or Nissan), Fuji Denki (Furukawa) and Mitsubishi Denki (Mitsubishi Electric Co.) were other leaders in the field.


126 Suzuki Mosaburō, Zaikaijin Hyōron, p. 23.


130 See Togai, pp. 144, 145-147.

131 Matsumoto Hiroshi, Mitsui, p. 214-Table 57,58.

132 Calculated from Ibid., 213-Table 56.


134 For details see Tōyō Keizai Shinpō, No. 1456, July 4, 1931, p. 44.


136 For details see Tōyō Keizai Shinpō, No. 1477, Nov. 18, 1931, p. 1583.

137 For details see Tōyō Keizai Shinpō, No. 1464, Aug. 19, 1931, pp. 654-685.


139 Matsumoto Hiroshi, Mitsui, p. 247. The electric power company was the Tokyo Hatsuden Company.
Morikawa, Zaibatsu no Keieishi, p. 196.

Matsumoto Hiroshi, Mitsui, pp. 133, 139, 186, 256-257.

For example, Kanebō did not increase its paid-up capital during 1924 to 1934.

For statistics see Matsumoto Hiroshi, Mitsui, pp. 173, 219.


For details see Kusayanagi, pp. 36-39; and Sakamoto Fujiyoshi, pp. 199, 202.

Ikeda, Zaikai, pp. 127-129, 187-188.
CHAPTER II: THE SHAPING OF THE REFORMS

Five days after Dan’s death, on March 10, 1932, Ikeda Seihin (Mitsui Bank), Yoneyama Umekichi (Mitsui Trust), Makita Kan (Mitsui Mining) and Yasukawa Yūnosuke (Mitsui Bussan) were appointed to a new Gōmei executive council to assist Ariga Nagabumi and Fukui Kikusaburō. However, under Ariga and Fukui, management of affairs lost direction, as the ex-assistants to Dan proved incapable or unwilling to assume the mantle of responsibility that he had carried. Mitsui Hachiroemon Takamine and Masuda decided that it was necessary to select one executive to man the helm, someone who could combine managerial abilities with political and public relations sensibilities. Hachiroemon Takamine, after consulting with Masuda, decided on Ikeda as the successor to Dan, then resigned in favour of his eldest son, 38 year old Takakimi in April of 1933. Ikeda officially became the head executive director (hitto jōmu riji) of Mitsui Gōmei Kaisha in September 1933. Actually, Ikeda was already the main advisor to Ariga, and had more input into the decision-making than Fukui even before the official announcement. Having expounded his ideas on paper right after Dan’s assassination, Ikeda now had a opportunity to apply them in a concrete manner.

Ikeda’s objective for the tenkō was the maximization of the long-term survival and prosperity (long-term self-interest) of the Mitsui zaibatsu through the attainment of the second-level goals, which were (1) to placate the general public, and to foster the association of adjectives such as "philanthropic" and "generous" with its image; (2) to facilitate further growth while retaining Mitsui (not necessarily Gōmei) control of as many key subsidiaries as possible; (3) to retain or establish good relations with the those in power, or potential successors to those in political
power, in an attempt to adjust to the external environment in order to maximize Mitsui's long-term survival and prosperity.

The five publicized reforms policies -- (1) the establishment of the Mitsui Hō-onkai (Repayment of Kindness Society); (2) the resignation of Mitsui family members of corporate presidencies; (3) the forced resignation of Yasukawa Yūnosuke; and (4) the implementation of a retirement age system; and (5) the kabushiki kōkai -- were partly or wholly designed to eradicate the image of Mitsui among the general populace, civilian extremist groups, and the factions within the military, as a selfish, profiteering, unpatriotic, exclusively family-owned enterprise, while the last policy -- (6) the readjustment of political connections -- did not have 'public' relations objectives. However, the objectives, precedents in Mitsui's past history, long-term trends in Mitsui's history, and of course, Ikeda himself, shaped the formulation of all six strategies, which were designed to meet the combination of public relations, business and political objectives.

Of the six Mitsui tenkō policies, the public relations facet of the zaibatsu tenkō was innovative in scale, in that such a concerted attempt to reverse a negative public image had not been made in Japan before. But there were factors and precedents in Mitsui's history which helped determine the form of the actual public relations measures. The business objectives remained unchanged, but the actual strategy designed to satisfy those objectives, the kabushiki kōkai as a kata-gawari, was highly innovative. There were no prior precedents in Mitsui history, and it served as the harbinger of inter-locking shareholding as the means of inter-company bonding for the post-war keiretsu. In the political arena, Ikeda's strategy of courting extremist groups had more in common with the Meiji-Minomura tradition than Nakamigawa's innovation -- a genuine attempt to distance Mitsui from political activities and excessive contact with the government. The result was that the six Mitsui tenkō policies were generally successful in meeting the objectives of 1932-
36, but in their success were the seeds of the eventual breakdown of the Mitsui Gōmei holding company system.

During 1932-1936, Ikeda adamantly stated that the Mitsui reforms originated from a genuine desire to repay society and bring in fresh blood at the Mitsui executive level, and not as an admission of past sins or an attempt to defend itself from the public and military. However, contemporary critics were quick to point out the timing of the donations, and accused Ikeda of merely "going with the winds of the times." Criticism was also directed at the premium rates for the stock sales, the Bussan expansion into Manchuria, and even Yasukawa's ejection. The "Yasukawa Scapegoat Theory" held that Ikeda, Makita and Yoneyama were just as commercialistic and profiteering as Yasukawa, the only difference being that the Bank, Mining and Trust did not have as much contact with the general populace as did Bussan; thus, according to the theory, Yasukawa was the most logical scapegoat, or sacrificial lamb. The retirement policy was also lambasted by some as an effort by Ikeda to maintain a behind-the-scenes dictatorship, or to take potential successors such as Makita and Yoneyama with himself into retirement.

PART 1: THE FIRST FOUR REFORM POLICIES

(A) The Ho-onkai

Mitsui made several donations to national and social welfare causes right after Dan's assassination. In a reversal of its earlier lack of enthusiasm for continental expansion via military action, in April 1932, Mitsui made a ¥10 million loan to Manchuria, matched by Mitsubishi, which was not expected to be paid back. In June 1932, Mitsui produced ¥3 million for the unemployment relief fund of the Ministry of Interior, and a ¥50,000 donation to Matsuzaka, the original
birthplace of the Mitsui clan. In order to procure funds for these donations, Mitsui sold ¥10 million worth of national bonds. On Nov. 1, 1933, Ikeda Seihin announced the establishment of the Mitsui Hō-onkai and allocated ¥30 million to the Hō-onkai in April of 1934, ¥10 mil cash and ¥20 mil in subsidiary bank notes (¥17 mil from Mitsui Bank and ¥3 mil from Mitsui Trust). As a result, Gōmei had to sell ¥20 mil of its stock holdings. Mitsui also contributed to a large number of natural disaster relief projects and philanthropic foundations. Estimates put Mitsui's total donations from March 1932 to May 1936 at ¥60 million.

Concrete precedents existed for this kind of action in crisis for Mitsui. After the Siemens Incident, Mitsui announced that it was donating ¥400,000 toward a fund for the education and care of convicts and ex-convicts. Also, charitable donations in general were not completely foreign to Mitsui either. During Taisho and early Showa, Mitsui made some contributions to social welfare and educational causes, such as for the 1923 earthquake relief projects, a school in Ōmuta, the Kinyū Kenkyūkai (Financial Studies Institute) -- an academic institute -- and the Mitsui Jizen (Charity) Hospital. From 1923 to 1929, Mitsui actually contributed ¥7,970,000 in social welfare donations but this point was lost in the economic and political conditions of the early 1930's.

During the 1920's, the business elites found it convenient to argue that labour unions were unsuitable institutions for Japan, as Japan's tradition paved the way for the existence of harmony, not conflict, between management and labour through kyōson kyōei (mutual existence). The labour threat fostered a greater willingness on the part of the business leaders to advocate traditional values. In the 1920's, the zaibatsu officials portrayed themselves as the nationalistic force attempting to limit the intrusion of a foreign value system-trade unionism. However, as a result, no ideology was developed which satisfactorily legitimized private interests and the profit motive, nor was such an ideology accepted by the public.
Many leading executives of the 1930's aspired to many of the same ideals as did the Meiji businessman. In Meiji, buttressed by the awareness of the importance of private business to the attainment of fukoku kyōhei ("Rich country, strong army"), the image of the self-sacrificing, patriotic samurai was idolized more than that of the robber-baron. This laid the ideological foundation for the masses' criticism of Mitsui in that generally, the complaints centered around the lack of zaibatsu adherence to traditional values. In short, the ideas used by the zaibatsu leaders in the 1920's were being wielded against them in the 1930's. Paradoxically, partly as a result of the influence of Western ideas regarding class conflict and political participation, the Japanese people became more politically active, as mentioned in Chapter 1-1, in voicing their discontent at the selfish capitalism of the zaibatsu.

Some critics were unhappy with the Mitsui interpretation of capitalism while others were against capitalism itself and its underlying values.

The primary reason behind the establishment the Hō-onkai as a tenkō policy was Ikeda's public relations objectives. Because of the history of the 1920's, Ikeda needed a means to display Mitsui's traditional Japanese sense of kyōson kyōei and loyalty to the Emperor, as well as concern the common people. According to Ikeda,

"Since we were under attack from the military and the right-wing, to some extent, we thought to pacify them through the Hō-onkai. However, this was not the only reason for the creation of the Mitsui Hō-onkai. The prosperity of the Mitsui zaibatsu resided in society. Therefore, we thought that some service should be rendered back to society. It was definitely not the case that we formed the Hō-onkai grudgingly merely because business was down from all the criticism...Not only in Japan but in Britain and America as well, I think that it is the duty of the wealthy to do some service for society. Even the wealthy, when they reach the position of the Mitsui families, desire to do some service for the larger society. In response, society should accept this good will as graciously (sunao ni) as possible."
The fact that the head executive of a large commercial operation the size of Mitsui claimed to believe in the idea of "repaying society," and to view the public relations aspect as only a secondary consideration, may appear to be a uniquely Japanese twist to business ideology and strategy. In disclaiming the accusations of 'camouflage,' Ikeda stated that Mitsui was not merely going with the times, but in fact, the reforms stemmed from a genuine sense of social responsibility. In support of this point, Ikeda traced his ideas for social welfare donations back to his 1929 trip to Europe and the U. S., which meant the origins of the Hō-onkai preceded Dan's assassination. Ikeda criticized Akamatsu Katsumaro and people of his ilk for merely going with the current trends; in other words, for their lack of adherence to their principles.16 In contrast, by Ikeda's version, Mitsui's tenkō was not an abandoning of any previously held capitalistic principles, profit motives or selfishness. The reforms were a tenkan, a voluntary adjustment of Mitsui's nationalistic, paternalistic philosophy, and not an involuntary, forced, tenkō.

By his own account, in establishing the Hō-onkai, Ikeda was inspired by examples of Western corporate philanthropists, such as Rockefeller, Carnegie, Morgan, and General Electric, that he saw in 1929: however, if the Hō-onkai were indeed a manifestation of Ikeda and Mitsui's innate nationalism and traditional feelings of obligation to the larger society, it would not have taken a trip to the West to have invoked such sentiments. In addition, a number of smaller (¥1,000 to ¥5,000) donations were made to newspapers and journals.17 Furthermore, Wada Hidekichi, the editor of the Chūgai Sangyō, first heard about the establishment of the Hō-onkai through a member of the Army, not from Mitsui. Moreover, in his 1949 memoir, Zaikai Kaikō (1949), Ikeda's only comment regarding the Hō-onkai was the difficulty in convincing the Mitsui family to accept the idea, and the fact that its establishment was too late to change the public perception of Mitsui; not that he could have helped more people from an earlier stage.18 Like Masuda in 1906-
1909, Ikeda collected data from Western sources, then adapted them to his own purposes and environment. In Masuda's case, although Nathaniel Meyer Rothschild had specifically told him to restructure Mitsui into a joint-stock companies utilizing profits from the sale of shares, Masuda and the Mitsui family did not open the stocks of the Mitsui companies to the public. Similarly, Ikeda was impressed by the managerial and public relations efficiency of the Western firms. Philanthropic projects and the other reforms he advocated in 1931-32 were designed to make Mitsui more like the Western companies. But in light of the ultranationalistic environment, Ikeda presented these Western-based reforms in the language of traditional Japanese values, rather than garbed in their original Western terminology.

Admittedly, ¥30 million was a considerable sum, even for Mitsui; thus, Ikeda's goal in starting the Ho-onkai was obviously not the maximization of short-term profits. Nevertheless, the reason why Ikeda could apply Western concepts to a nationalistic Japanese environment was the common denominator of "long-term self-interest." For almost any corporation, but especially one dealing with the general consumer, philanthropy was good marketing or public relations. Even if Ikeda did have some sincere desire to help the larger society, it could not have escaped Ikeda's mind that philanthropic activity served as positive "indirect advertising" and furthered "long-term self-interest," as Henry Ford put it. Whether it was New England Puritan ethics, outright ethical egotism, or Japanese or American paternalism, whatever the philosophical foundation, corporate philanthropy furthered the "long-term self-interest" of the firm in almost every instance, as long as the donations did not undermine the financial stability of the firm. Although there are differences between the objectives of maximization of profits, corporate security, expansion, good public relations, and altruism, the various possible objectives of a firm can all be classified under this rubric of "long-
term self-interest." (Altruism can be classified as a form of long and short-term self-interest in that by donating to a philanthropic cause, if Ikeda had indeed been consumed by a burning desire to help others, then it would be in his short term self-interest to help others in order to satisfy himself regardless of what the actual results of Mitsui’s contributions were, while in the long-run, Mitsui could end up with a better image). Thus, the primary objective in Ikeda’s establishment of the Hō-onkai was to invest in Mitsui’s "long-term self-interest," and to improve Mitsui’s public image. It is ironic, but given the underlying similarities, not all that strange, that Ikeda was inspired by examples of Western capitalist philanthropy to ‘tenkō’ away from capitalism in Japan.

It should also be noted that Ikeda, after all, was not donating his own personal assets to the Hō-onkai. In fact, by recounting in his memoir his difficulties in persuading the Mitsui clan to disburse the money for the Hō-onkai, Ikeda was actually apostatizing the 1933 public statement that the Hō-onkai was the product of the paternalism of the Mitsui family and the zaibatsu as a whole, and instead, claiming the credit for being 'socially responsible' strictly for himself. Although Ikeda’s own interests were at stake, and he did identify with Mitsui as his zaibatsu, Ikeda was in a 'limited-liability' position in that if the Hō-onkai converted Mitsui's public image, he would benefit along with Mitsui. Even if the program failed to convince the public and the military of Mitsui’s outstanding adherence to the principles of Japanese paternalism, Ikeda and Mitsui could hardly be criticized more than they already were, as long as the larger society accepted the donations. Also, unlike the Mitsui family members, if the ¥30 million investment did not turn out well, Ikeda himself would not be out that sum of money. In this point, Ikeda’s actions are somewhat analogous to Kishi Nobusuke’s 1931 protest movement over wages in the Commerce Ministry, where he induced his followers, fifty lower-ranking bureaucrats, to give him their signed resignations to use as leverage in
negotiations. In Kishi’s case, most of the risk was taken by his subordinates as Kishi did not initially submit his own resignation, and also, Kishi would not have had great difficulty in finding a lucrative position outside the government because of his contacts. In Ikeda’s case most of the risk was taken by his employers, the Mitsui family.

(B) The Resignation of the Mitsui Family Heads

The second policy was the removal of family members from company presidencies in the direct subsidiaries. On March 31, 1933, after consulting with Ariga, Masuda and other family heads, Mitsui Hachiroemon Takamine, at the age seventy-seven, resigned as president of Mitsui Gōmei and head of the family. He was replaced in both capacities by his heir, Takakimi. In January-February 1934, Mitsui Bank president Gen’emon, Bussan president Morinosuke, and Kōzan president Gennosuke, retired from their positions. In 1932, two positions of vice-president had been created to help prepare for the accession of Takakimi. The vice-presidents had been Gennosuke and Gen’emon, but these positions were abolished in 1935. After this, outside of Gōmei, presidents of the Mitsui companies were no longer of the Mitsui family.

The second policy was carried out outwardly for the safety of the Mitsui clan, to model the Mitsui zaibatsu after its German counterparts, and to erase the Mitsui image as a monopolistic, family controlled operation. The resignation of Takamine in 1933, at Masuda’s recommendation, had several precedents in Mitsui history. In 1885, during the reforms necessitated by the Matsukata deflation, 49 year-old Hachiroemon Takaaki handed the reigns over to the then 28 year-old Takamine. In 1891, when Nakamigawa came into the Bank to undertake his reforms, the Mitsui president resigned in favour of his heir. In the wake of the Kongō Affair of 1914 and Masuda’s resignation, Hachirojirō, the president of Mitsui Bussan, resigned as
well. In suggesting the retirement of Takamine, Masuda was certainly aware of the precedents, as he had experienced them all at first hand.

The removal of the Mitsui family heads from their executive positions was the climax to a long-running owner-manager friction. Despite the fact that Minomura Rizaemon had almost single-handedly saved Mitsui, as soon as he died, the Mitsui family heads reversed his post-Restoration reforms, which had augmented the power of the manager, and operated the companies themselves. When Nakamigawa was brought in, his reforms also increasingly generated complaints and board-room manoeuvres against him. Had his health not failed him, it is quite conceivable that Nakamigawa would have been forced out anyway.

Nakamigawa's dictatorial style of management contributed to the alienation the Mitsui family members and other executives. For example, Nakamigawa did not explain to other executives why he bought shares of Hokkaidō Colliery and Steamship Co. Masuda's restructuring of the Mitsui companies was an exception in that the Mitsui family did not oppose them in any way, and there were no large external or internal factors forcing a change, unlike the circumstances of the Minomura, Nakamigawa or Ikeda reforms. Rather, in Masuda's case, the reforms were made before a crisis hit, and the changes were to the corporate structure carried out in order to accommodate expansion, diversification and increase central control and profits. Additionally, the establishment of Mitsui Gōmei in October 1909 was advantageous in regards to the new tax code, and had the approval of Inoue Kaoru.

Mitsui Hachiroemon Takamine showed some managerial capability, or at least had opinions on the business operations. Nonetheless, in most instances, even if Takamine did initially oppose a decision by an executive, he was persuaded to change his mind by the arguments of his executives. For example, in 1913, Dan restored the Wanishi iron mines under Hokkaidō Colliery and
Steamship, against the initial opposition of both Inoue Kaoru and Takamine. In 1919, when Ikeda proposed the kōkai of the Bank shares, at first Takakimi opposed the move. However, Ikeda was able to convince him that opening the Bank would not necessarily lead to the opening of Bussan or Kōzan shares, as Takamine had feared. But, Takamine did not always acquiesce to the suggestions of his executives. At one point, there was talk of merging the Shipbuilding department of Bussan with another company's shipyard. Since both the Shipping and Shipbuilding departments were losing money during 1921-31, Yasukawa had wanted to eliminate these departments. However, Takamine stepped in and ordered Yasukawa to keep the departments as Mitsui operations within Bussan.\textsuperscript{26}

In contrast, Takamine's heir, Takakimi, conformed with Ikeda's decisions in every situation, and showed little interest in business. In fact, Takakimi, for all intents and purposes, was Ikeda's "Yes Man" in that in almost every reform, Takakimi was Ikeda's strongest supporter.\textsuperscript{27} In 1930, Ariga stated, "Mitsui's success is based on Takamine's virtue and influence, and Dan's foresight."\textsuperscript{28} In 1933-36, it could be said that the Mitsui tenkō was based on Takakimi's pliability and Ikeda's dominance.

Ikeda's general attitude towards the Mitsui clan evinced in Zaikai Kaikō, was mostly one of irritation, at times bordering on contempt. In his references to the clan, Ikeda's most commonly used adjectives were "yakamashii" (annoyingly noisy) and "urusai" (noisy, loud).\textsuperscript{29} Furthermore, Ikeda had difficulties in working with the eleven family heads during his whole tenure as Gōmei head, as indicated by his complaint that 70 to 80% of his energy was wasted on mediating conflicts among the heads, and only the rest was devoted to Gōmei operations.\textsuperscript{30} It took Ikeda three days to convince the Mitsui clan heads to remove themselves from the corporate registers, particularly Mitsui Takanaga (head of the 6th family), who argued that in this time of crisis, the presence of the Mitsui clan was more important
than ever. As mentioned before, the clan also resisted the idea for the Hō-onkai. Ikeda's own comments indicate that although the professed intent of the resignations was for the safety of the Mitsui family heads, the minimization of input by a troublesome eleven person council was something Ikeda almost looked forward to with glee. Whether or not one accepts the inevitability of the long-range development of managerial enterprise in all large, diversified firms, in the case of Mitsui, Ikeda (along with SCAP) could be viewed as an accelerator of the long-range the development of managerial enterprise in Mitsui.

(C) The Removal of Yasukawa Yūnosuke

The third move was the removal of Mitsui Bussan head executive, Yasukawa Yūnosuke. Although Yasukawa generated huge profits for the Mitsui clan, his ruthless tactics had offended both the public and the military. After the Tōyō Rayon stock sale controversy of 1933, in which Yasukawa was accused of manipulating the sale of stocks to make huge profits for himself, Ikeda seized this opportunity to push for Yasukawa’s resignation. Ariga presented Yasukawa with resignation forms to sign. Yasukawa at first refused to quit, and Morinosuke and Masuda began to change their mind. However, Hachiroemon Takakimi was firm in his agreement with Ikeda that Yasukawa would have to be forced out for the long-term benefit of Mitsui. Yasukawa was forced to resign in December of 1933 (officially announced in Jan. 1934). The personnel changes at the executive were not limited to Yasukawa’s removal. On Feb. 6, 1934, Ariga and Fukui retired, to be replaced by only one man, Nanjō Kaneo, Yasukawa’s replacement at Bussan. Nanjō resigned from his head executive position at Bussan to become Ikeda’s assistant at Gōmei.

Yasukawa’s ouster was an attempt to advertise the fact that Bussan’s past business methods under Yasukawa were no longer acceptable to the reformed,
socially-conscious Mitsui. However, Yasukawa's ouster was also a reincarnation of the Nakamigawa-Masuda internal rivalry of the 1890's. Ikeda was Nakamigawa's protégé and son-in-law, while Yasukawa was Masuda's most efficient pupil. Although Wada Hidekichi wrote in *Chūgai San'yō* that Yasukawa and Ikeda were not enemies, only two executives of the same corporate family who had incompatible doctrines, this "incompatibility" -- the conflict and the lack of cooperation between the two -- was highly reminiscent of the struggles between Masuda and Nakamigawa over the direction of investments or control over companies such as Kanebō. The tenkō highlighted the differences between the two men, and it happened to be expedient for Ikeda to force Yasukawa's resignation.

Though the Nakamigawa-Masuda alignment was there, in several aspects, the situation in 1933 was not so clearly a legacy of that conflict. First of all, it was Masuda who suggested the appointment of Ikeda as the head executive-director. Masuda also supported Ikeda's decision to remove Yasukawa until Yasukawa resisted, then, Masuda changed his mind and stated that Yasukawa should be given the honor of being the first non-Mitsui president of Bussan before being removed. Also, Ikeda was not necessarily as committed to investment in industrialization as was Nakamigawa. For instance, soon after Fujihara Ginjirō took over the responsibility of Ōji in 1911, Ikeda refused to finance Fujihara's attempt to revamp Ōji, and in fact, Fujihara had to appeal to Inoue Kaoru to step in before the financing arrangements could be made. When Makita proposed a plan for increased investment into the steel and iron industry in 1931-32, Ikeda, as well as Yasukawa and the Mitsui family members, expressed their lack of enthusiasm. The resulting "funding bottleneck" within Mitsui pushed Makita to advocate the amalgamation of the steel and iron companies into Nippon Seitetsu (Japan Iron and Steel Co.) as a counter measure. Also, in terms of the ruthless
business (as opposed to political) efficiency and rationality, Yasukawa had more in common with Nakamigawa than Masuda. Yasukawa was commerce oriented like Masuda. However, like Nakamigawa, Yasukawa pursued his aims without catering to the groupist mentality of the larger environment. In this respect, Yasukawa was more a descendant of Nakamigawa than Ikeda was. Shunning traditional social protocol, Nakamigawa refused loans to Itō Hirobumi, and collected on bad loans from the famous Higashi Honganji temple; shunning the mask of nationalism, Yasukawa sold to the 19th Army and to Chang Hsüeh-Liang. Japanese bankers, lead by Ikeda, expressed their lack of enthusiasm for the Shanghai Incident; Yasukawa acted on his indifference to the escalation of the conflict. Yasukawa's retrospective statement regarding his reasons for founding Toyo Rayon is almost shocking in its emphasis on individualism and the absence of standard nationalistic rhetoric. Yasukawa was far more "Western" than Ikeda in his emphasis on independent individual initiative, his unashamed pursuit of profit, and his apparent belief in the principle of Adam Smith's "invisible hand" or some equivalent. Although Ikeda admired the efficiency of Western corporations, and adapted several ideas from the West, Ikeda's reforms did not neglect to appease the larger society or make the appropriate nationalistic noises. For example, a former Mitsui Bank manager under Ikeda proudly recalled that in 1931, during the Depression, when Yasukawa wanted to deposit ¥60 million in order to improve Bussan's liquid position, Ikeda refused to take the money on the grounds that in times of recession, such sums should be invested to support the nation's economy or deposited in another bank which did not mind having idle funds in its vaults. (On the point of liquidity, Yasukawa and Masuda were both in conflict with Ikeda and Nakamigawa). Although some might call it inconsistency, the ex-Bank man also praised Ikeda's "nationalism" which was displayed when Ikeda complied with the Bank of Japan order that all private banks have 20% of its deposits at hand.
Ikeda's and Masuda's orientations were more politically sensitive than those of Nakamigawa or Yasukawa. Therefore, Yasukawa's ouster from Bussan did not necessarily represent the victory of the forces of industrialization over those of commercialism within Mitsui, or philanthropy over selfish individualism, but rather, the victory of cosmetic (or genuine) nationalism and long-term self-interests over a more "Western," short-term profit maximization-oriented style of management.

The internal executive-level rivalries hindered to some extent the implementation of Ikeda's tenkō policies. One obstacle was the long histories of the main Mitsui subsidiaries, the Bank, Bussan and Kōzan, as separate companies. In most instances of both horizontal diversification and vertical integration, the initiative had come predominantly from the subsidiaries, not the Ōmotokata (The Mitsui Family Council) or Gōmei. Masuda and Bussan initiated the acquisition of Miike Coal Mine and Onoda Cement; the Bank gathered in Shibaura, Ōji, Kanegafuchi, and Hokkaiddō Steamship and Colliery; Kōzan reorganized Wanishi and Nihon Seikōjo against the opposition of Inoue and the Mitsui family. It was due to the centrifugal tendencies of each of its main companies that Masuda set up Mitsui Gōmei. Gōmei's role was to function as the central coordinator for the vast range of subsidiaries and diversified activities of the Mitsui zaibatsu as a whole; in other words, its function was to approve the plans generated from below, and to monitor the personnel and financial operations of each subsidiary. However, initiative for diversification was still essentially in the hands of the subsidiaries, not the holding company. For example, Bussan planned the incorporation of Tōyō Menka and Tōyō Rayon; the Bank started Mitsui Trust, and inserted itself into Tokyo Dento; Kōzan initiated the development and purchase of companies in chemical industries, iron and coal mining, and steel manufacture.
Thus, internal executive rivalries were not limited to Bussan-Bank lines. In his analysis of the diversification strategy of the zaibatsu, Morikawa Hidemasa concluded that the strategy of the established zaibatsu was not necessarily conservative across-the-board, but varied with each zaibatsu and the industry in question. As an alternative, Morikawa identified two types of behavior in both Mitsui and Mitsubishi zaibatsu expansion into high-risk chemical and heavy industries-conservative and progressive. According to this argument, the primary determinants of whether the policy in the specific industry would be conservative or progressive were technological concerns, limited liquid assets, profitability, and the initiative of individual executives, such as Makita, overcoming the conservative tendencies of the owner-families. In actuality, in Mitsui's risk-taking or avoidance, the individual backgrounds and preferences of the executives were largely responsible for the extent of both conservatism and progressiveness in specific industries. Explaining to the Mitsui clan the reason why the Miike dyestuffs should be retained in spite of huge losses, Dan stated that the experiments in dyestuffs would "contribute to the national welfare," and since Kōzan was still making large profits, it could cover for Miike dyestuffs division. The same Dan, when Yasukawa presented him with the plan for the creation of Tōyō Rayon, responded, "It's better to avoid risky, dangerous ventures for a while." Dan limited the production capacity and capitalization of the company and refused to allow the use of the Mitsui name. Dan supported Makita in every debate at Gōmei over the financing of the chemical companies and iron mines. Thus, when Makita wanted to establish Denki Kagaku, or expressed doubts about the efficiency and reliability of the Claude method of ammonia production, he was able to get funding for research into alternatives. Despite Dan's support, Makita expressed frustration with Ikeda and the Bank, and the Gōmei executives who did not share Dan's enthusiasm for Kōzan's ventures, for limiting or refusing funding for Kaimashi
Kōzan and his other projects. When Fujihara suggested that Ōji absorb Fuji Seishi, Dan refused to permit the move on the basis that it would increase anti-Mitsui criticism; however, Dan approved the incorporation of Miike Chisso and Gōsei Kōgyō at around the same time. Ikeda's comments regarding Dan convey an impression of irritation at Dan's meddling in Bank affairs, such as after the Dollar-buying Incident when Dan called for Ikeda to publicize the actual figures right away, or at Dan's lack of effort in presenting Ikeda's 1919 kōkai idea to Mitsui Hachiroemon. (Dan too, was occasionally described as "yakamashii"). According to Dan's son, Dan himself would always say that the one thing he found impossible to understand was banking. The identification with the specific company within the Mitsui zaibatsu was highlighted by the semi-annual bonus system exclusive to Mitsui, where the bonus each executive received varied according to the performance of the company and its subsidiaries during the year. The effect of these inter-executive rivalries on the implementation of central policy was aggravated by the presence of eleven 'yakamashii' Mitsui family heads. Having to deal with the various 'interest groups' within Mitsui slowed down the decision making process to the extent that Dan was known as "kimenai Dan" (Indecisive Dan) during his days as head of Gōmei. The problems encountered in 1940-43, when the "new Bussan" served as the holding company, indicated that such inter-company rivalry and identification with the interests of the specific company rather those of Mitsui as a whole, were still extant after 1937.

Therefore, in addition to the public relations aspect, the Yasukawa-Ikeda rivalry was a manifestation of deep-rooted tradition of inter-executive rivalry over business and/or political policy, and moreover, reflected Mitsui's tendency to centralize overall coordination and control within Gōmei and its head executive. The extent to which Mitsui renounced self-interest as an objective is somewhat questionable when Yasukawa's post-Bussan career is traced. Mitsui
Bussan issued a number of circulars in 1934-35 to its offices which urged them to refrain from unnecessary competition with small merchants, and announced the termination of expansion or diversification of products handled. However, Yasukawa was appointed president of Nihon Seifun. He was also a director at Tōyō Menka until the end of 1935. But most ironically, for all the furor caused by the so-called Tōyō Rayon Scandal, Yasukawa was the president at Tōyō Rayon until Dec. 20, 1936. These facts reinforce the conclusion that Yasukawa's resignation was more the result of inter-executive conflicts rather than any genuine reprehension at Yasukawa's methods per se.

Yasukawa's forced resignation was similar to the precedent set by the voluntary resignations of Yamamoto, Iida, and Iwahara in 1914, in that in both instances individual executives, rather than the company itself, were implicitly accepting personal responsibility for the scandals. Both cases could be considered sacrificial lambs, the first set voluntary and Yasukawa an unwilling one. In fact, the precedent for Yasukawa's appointment as president of Nippon Seifun was set when one of the Siemens "scapegoats," Iida Giichi, was appointed the president of a less important subsidiary, the Taishō Marine & Fire Insurance Co., at its incorporation in 1918. Significantly, the one Mitsui scandal which did not result in any resignations was the Dollar-Buying Scandal, where according to custom, Ikeda should have resigned. However, luckily for Ikeda, he did not have to accept responsibility for the Scandal, as Dan died in his stead.

Compared to Yasukawa's ouster, Ariga and Fukui's resignations were not as important. After Dan's death, Fukui was never a part of the central decision making process. Before Ikeda was officially appointed head executive, Ariga and Ikeda apparently made most of the key decisions. Similar to Masuda, Ariga (along with Fukui) continued to serve as an official advisor to Mitsui after his retirement from the executive directorship, so that his resignation was more in form than in content. In
1936, with the enactment of the retirement law, Ariga and Fukui left their official advisory positions.

(D) The Retirement Policy

The fourth policy was the announcement of a mandatory retirement age, which was instituted in April of 1936 and went into effect May 1 of the same year. The age limit was 65 years-old for head and senior executive directors; 60 for executive directors and directors, except when necessary for business operations; and 55 for non-executives except in the same circumstances as above. This rule applied only to the six chokkei (direct) companies. Under this rule, executives such as Yoneyama, Makita and others retired. Ikeda himself retired on April 30, 1936, to be replaced by Nanjō Kaneo.

The retirement age policy had been instituted at both Mitsubishi and Sumitomo prior to 1932. Mitsui had a more flexible policy as the Mitsui salaried executives were more powerful than Mitsubishi's, and more numerous than Sumitomo's. Ikeda himself had become head executive of Mitsui Bank at 42 years of age; hence, this memory may have made him sympathetic to the plight of the younger executives. When Takakimi complained to Ikeda about the presence of old executives such as Makita and Yoneyama, Ikeda saw this as an opportunity to 'clean house,' and promote new executives who could conceivably have more rapport with the reform bureaucrats and the military. The retirement policy also conveniently allowed Ikeda to leave at a time the negative publicity generated by his alleged links with the 2-26 Incident were raging in full storm. Ikeda himself was convinced that he should retire to prevent further anti-Mitsui criticism. However, amazingly, Hachiroemon Takakimi, in an interview in 1971, claimed that Ikeda retired not because of the 2-26 Incident but merely because the new retirement rule was also applicable to Ikeda, as he was 69 at the time. In retiring after the Feb.
26 Incident, Ikeda was also following the precedent set by Masuda's official retirement from Gōmei right after the Siemens Scandal, the policy Ikeda had not followed after the Dollar-Buying Incident.

PART 2: THE KABUSHIKI KÔKAI

Of the tenkō policies, the fifth policy, the kabushiki kōkai, has been subjected to the most detailed analysis by post-war Japanese business histories of the Mitsui zaibatsu. As discussed in Chapter I-2, Mitsui suffered comparatively few setbacks during the Depression and was beginning to recover by the second half of 1932-first half of 1933. However, most pre- and post-war analysts have stressed the increased demands for funds in the 1930's as the prime motivation behind the kabushiki kōkai. The examination of (A) the rise of the new zaibatsu; (B) the nature and timing of the rise in capital expenditures; (C) the actual form of the Mitsui 'kōkai,' and the results of the kata-gawari, indicates that although there were actual demands for capital, the Mitsui kōkai of 1932-36 was less business-motivated than the kōkai of 1937-40, and that the principal goal of the sale of stocks was not to raise outside capital.

Ikeda claimed that profit or commercial objectives were not a concern for him at the time of the tenkō. The kata-gawari and the public relations campaign showed that maximization of immediate profit was not a chief aim, but there was a 'conversion' to a willingness to take advantage of the growth of industries triggered by the escalation of military activities. (D) The kata-gawari was an innovative strategy in that there were no clearly identifiable precedents, and it foreshadowed the emergence of the inter-locking shareholding of the post-war keiretsu. (E) Nevertheless, since it was serving outmoded objectives, the success of the kata-
gawari in meeting the goals of 1932-36 helped undermine Gōmei's effectiveness as a holding company.

The 'kōkai' process itself can be divided into five periods: the first period lasted from the 2nd half of 1933 to the 1st half of 1934, and the second in 1936 (1st and 2nd). The last three periods occurred after 1937; consequently, they will not be dealt with directly. From Sept. 1933 to Feb. 1934, Mitsui Gōmei sold ¥20,997,562 worth of shares from Ōji, Hokutan, Tokyo Dentō, Onoda, Mitsui Bank and others. Also, 330,000 shares of Tōyō Rayon, 75,000 of Tōyō Kōatsu, and 25,000 of Miike Chisso were sold on the stock market. In 1936, Gōmei sold new and old shares of Ōji, Shibaura, Dai Nippon Celluloid, Denki Kagaku, and Hokutan, among others, totalling ¥22,269,592 in value. The third period, as a point of comparison, saw the sale of ¥25,559,000 of shares from the 2nd half of 1937 and the 1st half of 1938.61

(A) The Rise of the New Zaibatsu

As a public relations move, the kōkai was another part of the effort to appease the masses, but in addition, a move to counter the rise of the so-called new (shinkō) zaibatsu, particularly Ayukawa Yoshisuke. Ayukawa never lost an opportunity to focus attention on the fact that the shares of Nissan were publicly subscribed, and to politely, but clearly, criticize the 'old' zaibatsu for their individualistic monopolization and pursuit of profits.62 In terms of image, the new zaibatsu were increasingly seen by the public, the press and the military, as being more nationalistic than the 'old' ones. This was because such new zaibatsu as Nissan, Nitchitsu, Mori (Shōwa or Nippon-Denkō), Nissō and Riken63 operated in high-risk ventures in the colonies and in industries related to military needs (i.e. chemical and heavy industries), and also, were perceived as being publicly financed.64 In terms of financing, however, the positive image was somewhat
misleading in that most of the new zaibatsu used loans from banks as the major sources of funds rather than the stock market. All new zaibatsu were initially dependent to a large extent on the willingness of government development banks to finance them. Fortunately for the new zaibatsu, the Colonial Bank, the Kokyō (Japan Industrial) Bank, and other government banks were willing to fund them. Some of the new zaibatsu, such as Nitchitsu, Shōwa Denkō and Riken, initially received most of their financing from zaibatsu banks. Mitsubishi Bank supported Nitchitsu founder Noguchi Jun when he rejected Mitsui's terms for loans, but Noguchi eventually moved free from the Mitsubishi network, while Mori Nobuteru received large loans from the Yasuda Bank, but also became more self-sufficient as the market demand for heavy and chemical industries products increased. The financing of the new zaibatsu was more 'open' than that of the 'old' zaibatsu, but was not particularly diversified in terms of stocks or bonds, although this was admittedly in some part due to the underdeveloped condition of the pre-war Japanese stock market. However, Nissan's experience indicates that it was not impossible to raise capital via a true 'kokai.' Thus, Ayukawa was an exception to the rule for both 'old' and 'new' zaibatsu. As of the first half of 1937, Nissan had 51,804 shareholders (before the founding of Manchurian Heavy Industries), Nitchitsu had 6,984, Shōwa Denkō-5,481, Nissō-5,371, and Riken-436. In terms of specialization, the general perception was more correct. Nitchitsu had 54.5% of its paid-up capital in chemical industries, another 32.4% in electrical power-gas related industries, and 7.7% in heavy industries; Mori had 34.4% in heavy industries, 20.6% in chemical and 43.3 in electrical-gas industries; Nissō had 71.5% in chemical, and 23.9% in heavy industries; and Riken had 52.4% in heavy industries, 8.3% in chemical and 14.4% in electrical power-gas industries. With the exception of Nissan, the new zaibatsu were less diversified and more vertically integrated than the 'old' zaibatsu.
The rise of the new zaibatsu represented more of a public relations threat than a business threat. For one thing, with the possible exception of Nissan, the shinkō zaibatsu did not challenge the Big Three in terms of overall size. Furthermore, since they were highly dependent on the trigger-effect of the military expansion, most of the new zaibatsu did not begin to expand at a rapid pace until after the Manchurian Incident. The emergence of these bank-less, military-related companies served to highlight the exclusive family ownership of Mitsui, and its perceived shortage of patriotism, while presenting an alternative set of firms for the military to draw on. Ayukawa, for example, had a close relationship with Kishi Nobusuke, who in turn, had connections to the leading members of the Kwantung Army. In 1936, Ayukawa toured Manchuria for one month on the invitation of the Kwantung Army. Ayukawa's links to Kishi and the Kantō-gun eventually resulted in Nissan providing most of the private capital of Manchukuo Heavy Industries Co. in 1937. For Mitsui, in terms of political connections and public image, whether the kōkai was in fact a move to expand its heavy and chemical industry operations or a genuine kōkai was almost a moot point, as both objectives could be represented as being patriotic. By expanding the operations of its companies in heavy and munitions-related industries Mitsui could claim to be supporting the nation's and army's needs, while if it was an actual kōkai, then Mitsui could claim it was a sincere attempt to decrease the exclusive family ownership of Mitsui stocks. With the army becoming increasingly powerful on the domestic political front, and the likes of Ayukawa developing and consolidating strong connections with the military, Mitsui could see the necessity for catering to the needs of the military to survive the political turmoil, and to obtain an access channel for investments into Manchuria and favorable contracts from the government.
(B) Demands for Funds

The increase in the demands for capital was generated by the following sources: the social welfare donations; the increasing tax burden, especially the inheritance, income, corporate and special profits taxes; increasing interest payment for loans; the rapid growth of military related fields such as, heavy and chemical industries, investment into Manchuria, and the munitions industry. However, a study of the above capital demands indicates that all four trends intensified significantly after 1937, and that the business incentives were considerably less potent during 1932-36.

The first period of kabushiki kōkai was put into effect in order to raise enough funds to endow the Hō-onkai with ¥30 million. ¥20 million had already been allocated to the Hō-onkai from the Bank and Trust (see Chapter II-1-A): to procure the remaining ¥10 million, Gōmei sold ¥20,997,562 worth of old and new shares from eight of its companies during the 2nd half of 1933 to the 1st half of 1934. By raising ¥10 million more than the ¥10 million needed for the Hō-onkai, Gōmei was able to increase its liquid assets. The total donations during 1932-36 amounted to ¥60 million, which contemporary estimates placed at almost double Gōmei's income for those four years, and later estimates at two years worth of income.69 However, the actual amounts disbursed from the Hō-onkai alone for 1937-39 actually increased to ¥6,073,235 from the 1934-36 amount of ¥4,990,081.70

The tax factor was also present during 1932-36; but likewise, it did not reach its peak until after 1937. One of Mitsui's first reforms of the 30's was the retirement of Hachiroemon Takamine, who had been the Kita-ke (senior house) head since March 1885. Due to the length of Takamine's reign, the Kita-ke had not needed to pay any inheritance tax until March 1933. The total taxable inheritance for Takakimi was assessed at ¥166,460,000 and after over a year of research and
calculations, the total tax payable was deduced to be ¥21,506,630. Since Takakimi did not have enough liquid assets on hand to pay that sum, he was allowed to pay in seven installments. Meanwhile, Takamichi (7th family head) died April 1934, and in Feb. 1936, Gennosuke retired as the head of his family (2nd family). However, the 2nd families' taxes did not become payable until 1937 so that there were only two families paying taxes while Ikeda was at the helm. The inheritance tax problems began to reach problem levels during 1937-38, when three more transfers of headship occurred to bring the total to five families paying off taxes at the same time. In March 1935, a new special profits tax was passed, whereby any profits over the annual averages for the years 1928-1931 were taxable. The corporate rate of the special profits tax was set at 10% and the individual rate at 8%, accompanied by a promise that this tax would be rescinded in 1937. Instead, after 1937, the rates for income tax, special profit tax, and corporation tax, were increased substantially in order to finance the China War. Especially after 1937, the Mitsui family had to convert some of their fixed assets into liquid assets in order to pay for the combined inheritance, income, special profits (corporate and individual) taxes. The sale of shares of ordinary subsidiaries was less painful than selling those of the direct subsidiaries as a way of converting assets, and was also useful as a public relations tool. However, after 1937, taxes were imposed on the sale of securities, so that increasing numbers of shares had to be sold to produce enough money to make the various other tax payments. As the major tax increases and accumulation of sums payable began after 1937, after the Ikeda era was over, the 1932-36 kōkai was obviously not initially motivated mainly by a need to offset increase in tax payments.

Similar to the situation with taxes, interest payments on loans were not primary incentives for the kōkai prior to 1937. In the first half of the 30's, Gōmei and the direct companies either did not have any outstanding loans at all, or were
decreasing the amounts owed. It was only after 1937 that Gōmei was forced to
take out loans from the Mitsui Bank, and the chokkei (direct) companies were
compelled to begin or increase their borrowing.\textsuperscript{74} In fact, Bussan and Kōzan were
able to increase their reserves during 1932-36.\textsuperscript{75} Even the ordinary subsidiaries
which increased borrowings from the late 20's to 1932 (e.g. Denki Kagaku,
Shibaura), halted this trend, and in many cases, decreased the total amount
owed.\textsuperscript{76} Of the 149 Mitsui subsidiaries (excluding the direct companies) surveyed
in 1934, only 12 companies were "overborrowing" (i.e. they had more loans than
deposits) from the Mitsui Bank, while 61 companies' deposits and loans were
equal, and 75 companies were "underborrowing."\textsuperscript{77} Thus, interest payments to the
Bank, or other sources of credit, were not increasing significantly during 1932-36.

The expansion of Mitsui's heavy, chemical and munitions-related industries
resulted in increases in the paid-up capital of the companies in those fields.
Mitsui's total paid-up capital for all its companies increased from an estimated ¥848
million in 1928 to ¥1,177 millions in 1936.\textsuperscript{78} In 1931, Miike Chisso was
established and capitalized at ¥10 million, and its paid-up capital raised from ¥2.5
million to ¥5 million in 1932. Furthermore, in 1932, Shibaura, and Nihon Seikōjo
increased their capital from ¥10 million to ¥15 million, and Gōsei Kōgyō was
incorporated at ¥500,000. In 1933, Tōyō Rayon and Japan Flour conducted a
capital increase (¥10-¥30 mil and ¥3.9-¥12 mil respectively), and Tōyō Kōatsu
was established in April 1933, capitalized at ¥20 million (of which 85% was paid-in
by Kōzan and Miike Chisso). Between 1933 and 1936, the following companies
had Mitsui Gōmei, Bussan, or Kōzan buy their shares in increasing their paid-up
capital totals or for their start-up capital. The underlined companies received their
initial Mitsui capital investments, or were incorporated, at that time.
Table VIII-Companies Which Received Mitsui Capital Investments and Increased Their Paid-up Capital in 1933-36

1933- Shibaura; Nihon Seikōjo; Tokio Marine and Fire Insurance; Denki Kagaku; Tōyō Kōatsu; Japan Flour; Tōyō Rayon; Onoda

1934- Mitsui Kōzan; Shibaura; Ōji; Hokutan; Kanebō; Tokyo Kōsoku Tetsudō (Tokyo Express Railway); Denki Kagaku; Miike Chisso; Manshū Oil

1935- Mitsui Kōzan; Shibaura; Hokutan; Dai-Nippon Celluloid; Manshū Development (Colonization) Co.; Japan Aluminum Co.; Miike Chisso

1936- Mitsui Kōzan; Shibaura; Ōji; Manshū Development Co.; Manshū Kūkō; Japan Aluminum; Taiwan Development (Colonization) Co.; Tokyo Kōsoku Tetsudō; Tōyō Rayon; Denki Kagaku; Onoda; Tōyō Menka


The total Gōmei investment into the above companies (including Kōzan) for those years were: 1933-¥1.9 million; 1934-¥8.8 million; 1935-¥5.9 million; 1936-¥16.1 million. In 1937, the total jumped to ¥24 million and 1938-¥61 million.

Again, we see that during 1932-36, although new demands for capital from financing the growth of companies in heavy and chemical industries were growing (especially in 1936), compared to the sums invested after 1937, the pressure on the Mitsui financial structure was relatively small.

Mitsui's investments into Manchuria increased during 1932-36. Some of the companies Mitsui invested in before the Marco Polo Bridge Incident in July 1937...
were: Manchurian Colonization Co. (Manshū Takushoku), started in 1936, with Mitsui and Mitsubishi providing ¥1.5 million each of the paid-up capital; Manchurian Oil, incorporated in 1934 (out of a total 100,000 shares, Mitsui Bussan had 10,000 shares, Mitsubishi Shōji 3,000, Mitsubishi Kōgyō 7,000); Manchurian Air (Kūkō), established in 1932 (Sumitomo invested from the start while Mitsui and Mitsubishi invested in 1934, with the result that each of the three had 15.4% of the shares); Mukden Zōheijo (Arms Manufacture), a joint venture between Mitsui Bussan and Ōkura Shōji; Manchurian Chemical Industries Co. (Manshū Kagaku Kōgyō), of which Sumitomo had 9,600 shares, Mitsubishi, 5,000, and Mitsui Bussan, 5,000, shares.79

The increases in the paid-up capital for Ōji and Onoda was related to the expansion of their export activities in the Manchurian market. As of 1934, Onoda supplied 70% of all Japanese cement exported to Manchuria compared to 20% for Asano Cement.80 Ōji supplied 29% of Japanese pulp exports to Manchuria in 1932. In the following years, the production volume increased as did Ōji’s share of the Manchurian market. In 1933, Ōji’s market share was 58%, 1934-86%, and 1935-85%. In 1935, Ōji also established a trading company to distribute Ōji products in Manchuria, while Mitsui Bussan handled all other export markets.81 However, the three years from 1937-39 alone were greater than the total investments for 1932-36 as indicated below.
### Table IX-A Comparison of the Manchurian Investments of Six Zaibatsu

(Unit: ¥1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui</th>
<th>Mitsubishi</th>
<th>Sumitomo</th>
<th>Okura</th>
<th>Asano</th>
<th>Nissan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>10,143</td>
<td>3,362</td>
<td>5,237</td>
<td>84,980</td>
<td>---</td>
<td>492</td>
</tr>
<tr>
<td>1932</td>
<td>2,150</td>
<td>2,150</td>
<td>2,150</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1933</td>
<td>250</td>
<td>---</td>
<td>1,950</td>
<td>---</td>
<td>7,000</td>
<td>---</td>
</tr>
<tr>
<td>1934</td>
<td>23,090</td>
<td>6,587</td>
<td>31,050</td>
<td>540</td>
<td>2,500</td>
<td>2,000</td>
</tr>
<tr>
<td>1935</td>
<td>10,350</td>
<td>20,000</td>
<td>---</td>
<td>11,000</td>
<td>8,000</td>
<td>132</td>
</tr>
<tr>
<td>1936</td>
<td>35,478</td>
<td>15,915</td>
<td>3,800</td>
<td>3,000</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total A</td>
<td>71,218</td>
<td>44,652</td>
<td>38,950</td>
<td>14,540</td>
<td>17,500</td>
<td>2,132</td>
</tr>
<tr>
<td>Total B</td>
<td>74,180</td>
<td>18,184</td>
<td>6,400</td>
<td>83,250</td>
<td>10,600</td>
<td>33,750</td>
</tr>
</tbody>
</table>


In terms of direct munitions production, Mitsui did not experience as much growth, so there was not as much demand for capital from this sector. To begin with, of the total sum of donations in 1932-36, about 40% (¥6.45 million) of Mitsubishi's total went to projects related to the military as opposed to about 4% (¥2.68 million) for Mitsui. As of 1936, the companies which received munitions contracts, Mitsubishi had the lion's share, followed by Sumitomo, Kawasaki, Okura, Asano, then Mitsui, Shibusawa, Kuhara, Kawanishi, Yamashita, Furukawa, Yasuda, Mori, Yasukawa, and others.

(C) Liquidity and the Kata-Gawari

The combined effect of the taxes, interest payment on loans, and expansion of heavy, chemical and munitions industries pressured Mitsui's finances. However, in every instance, the effects of these trends were relatively minor during 1932-36 in comparison to 1937-40. Moreover, the profits of most Mitsui companies were
increasing during 1933-36, while the direct companies maintained their status as "underborrowers." Another indication of the positive trend in revenues was the fact that during 1932-34, when expenditures were at their highest, Gōmei's net profits (not including balance forwarded or reserves) for 1932-34 also increased from the 1929-31 total despite the large increase in expenditure (Table X).

Shibaura, Onoda, Tōyō Menka and Tōyō Rayon, among others, also increased their profits.

Table X-Mitsui Gōmei Total Expenditures and Net Profits in Yen-1931-1936 (Unit: Yen)

<table>
<thead>
<tr>
<th></th>
<th>Total Expenditures</th>
<th>Net profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>8,982,825</td>
<td>5,031,488</td>
</tr>
<tr>
<td></td>
<td>13,725,400</td>
<td>7,649,159</td>
</tr>
<tr>
<td>1933</td>
<td>5,300,313</td>
<td>10,207,403</td>
</tr>
<tr>
<td></td>
<td>10,155,323</td>
<td>15,847,531</td>
</tr>
<tr>
<td>1934</td>
<td>12,197,680</td>
<td>15,433,556</td>
</tr>
<tr>
<td></td>
<td>10,311,778</td>
<td>5,556,182</td>
</tr>
<tr>
<td>1929-31 total</td>
<td>29,090,490</td>
<td>55,729,503</td>
</tr>
<tr>
<td>1932-34 total</td>
<td>60,400,319</td>
<td>59,735,319</td>
</tr>
</tbody>
</table>

Source: Calculated from Matsumoto Hiroshi, Mitsui Zaibatsu no Kenkyū, pp. 219, 230-table 70, 214-table 59, 233.

a. Taxes, wages, initial donation to found the Ho-onkai, other donations from Gōmei-not including ones from the Ho-onkai, interest payments, supplies, travel expenses, losses on stocks and national bonds, etc.

Until 1936, the problem was more in liquidity than in a paucity of internal sources of financing. As of 1932, compared to Mitsubishi Gōshi and Sumitomo Gōshi, a higher portion of Mitsui Gōmei's short and long-term sources of business finance were tied up in fixed assets. Gōmei's liquid assets were smaller than those of the other two holding companies, both in percentage of its total assets and in the actual yen value. Furthermore, by 1933, of Mitsui Gōmei's securities holdings, 88.1% were of companies which it controlled, thus, the liquidity of those shares...
were low. In order to pay for the taxes, the loan interests, and most importantly, to pay-in to the capital expansion of its subsidiaries, Gōmei had to convert its assets to liquid form: since securities were the most liquid of its non-currency assets, they were the easiest to convert into money.

Of the ¥20,997,562 shares sold in 1933-34, ¥5,945,292 was sold to Mitsui Bussan, Trust and Seimei, while another ¥1,207,270 was sold to Yamaichi Shōken, which was connected to Mitsui through the Bank. In fact, in the second period of kōkai, of the ¥22,269,592 sold, ¥12,665,492 was sold to Mitsui Bussan, Seimei or Trust. Of the remainder, Tokyo Dentō was the largest buyer, acquiring Shibaura shares in the move toward the 1940 amalgamation.\(^{87}\) Chō Yukio has stated that in the tenkō, the Big Three zaibatsu "changed over from family management to the forms of modern finance capital."\(^{88}\) In other words, they used the kōkai to generate outside capital to fund capital expansion. However, the figures above point to the fact that although some extra-Mitsui capital was collected, the Mitsui "kōkai" was not a wholesale sale of shares to the public, but more a kata-gawari, a redistribution of financial control where the direct subsidiaries began to take on more of the controlling shares of other Mitsui subsidiaries in Gōmei's stead.\(^{89}\) The tenkō kōkai constituted an emergence of a prototypical horizontal inter-locking shareholding, a preview of the method of coordination between the companies within the post-war keiretsu.\(^{90}\) Due to this process of horizontal reallocation of financial resources, Bussan's investments doubled in terms of percentage from 1925 to 1936, while conversely, Gōmei's portion declined by 24% in the same period (see Table XI).
Table XI—Securities Investments of Mitsui Gōmei, Bussan and Kōzan  
(Numbers in parentheses are % of the total) (Unit: ¥1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gōmei a</th>
<th>Bussan</th>
<th>Kōzan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>269,628 (69.1)</td>
<td>23,678 (15.3)</td>
<td>24,096 (15.6)</td>
<td>154,902</td>
</tr>
<tr>
<td>1930</td>
<td>119,753 (65.1)</td>
<td>40,021 (21.8)</td>
<td>24,166 (13.1)</td>
<td>183,940</td>
</tr>
<tr>
<td>1931</td>
<td>112,785 (63.2)</td>
<td>40,292 (22.5)</td>
<td>25,642 (14.3)</td>
<td>178,719</td>
</tr>
<tr>
<td>1932</td>
<td>112,512 (62.0)</td>
<td>41,769 (23.0)</td>
<td>27,291 (15.0)</td>
<td>181,572</td>
</tr>
<tr>
<td>1933</td>
<td>107,887 (57.9)</td>
<td>46,208 (24.8)</td>
<td>32,331 (17.3)</td>
<td>186,426</td>
</tr>
<tr>
<td>1934</td>
<td>91,892 (49.4)</td>
<td>54,784 (29.5)</td>
<td>39,320 (21.1)</td>
<td>185,996</td>
</tr>
<tr>
<td>1935</td>
<td>94,271 (46.9)</td>
<td>61,977 (30.8)</td>
<td>44,890 (22.3)</td>
<td>201,138</td>
</tr>
<tr>
<td>1936 b</td>
<td>98,831 (44.8)</td>
<td>70,795 (32.1)</td>
<td>50,968 (23.1)</td>
<td>220,594</td>
</tr>
<tr>
<td>1937</td>
<td>107,233 (38.8)</td>
<td>114,808 (41.5)</td>
<td>54,605 (19.7)</td>
<td>276,646</td>
</tr>
</tbody>
</table>


a. Does not include holdings in Bussan and Kōzan.
b. The % figures are different than Matsumoto's as there were errors in Matsumoto's table.

There was also a concurrent kata-gawari in loans as well. The fact that Mitsui Bank was not an "organ bank" (kikan ginkō) has been emphasized in some studies, and the data available supports this conclusion. For example, as of the second half of 1934, of the twelve bōkei (ordinary) subsidiaries, only five had any loans from the Mitsui Bank: Oji received only 22% of its total loans from the Mitsui Bank, while Denki Kagaku received 54%, Shibaura-100%, Chūgai Sangyō-97% and Dai-Nippon Celluloid-100%. A large number of the subsidiaries of the subsidiaries received little or no loans from the Bank as well. However, most of the so-called 'outside loans' were supplied by other Mitsui companies such as Mitsui Trust, Bussan, and Kōzan. Therefore, simply because the Bank did not loan exclusively to its affiliated companies did not mean that the Mitsui subsidiaries relied largely on the big banks or trust companies of the other zaibatsu. The
foundations for more extensive borrowing after 1937 was established during 1932-36 with this diversification in sources of its loans.

The horizontal dispersal of stocks and financing responsibilities resulted in an increment of Gōmei's liquidity. The liquidity of securities in general, which had been growing since the reimposition of the gold embargo, was further increased by Mitsui's stock transactions, which in turn increased the liquidity of Bussan, Kōzan, Trust and Seimei, and other subsidiaries which had acquired securities during the 1920's expansion and the 1933-36 kōkai. Thus, the kōkai prepared the ground for the following: (1) the use of the outside capital, profits and liquid assets generated from the stock transactions of 1933-36 to pay-in to the capital increases of two of Mitsui's Big Three direct companies, Kōzan and Bussan (¥100 million to ¥150 million in the first half of 1937); (2) the increase in Mitsui direct subsidiaries' ownership of Mitsui subsidiaries in several cases (e.g. Bussan acquired all of Gōmei shares of Onoda in 1934); (3) the retention of Mitsui control of its companies to a large extent through the reallocation of the shares of its subsidiaries; and (4) the provision of more ammunition for public relations. In effect, the kōkai killed four birds with one stone (or at least hit them).

In 1928, 90.6% of the paid-up capital for the chokkei (direct) companies was under Mitsui control; in the first half of 1937, the figure was 88.2%. In both years, Mitsui had the highest rate of ownership for the direct subsidiaries among the zaibatsu. However, for the Mitsui ordinary subsidiaries, the percentage decreased from 29.4% to 16.6%. The zaibatsu with the second highest percentage control of the paid-up capital of its direct subsidiaries in 1937 was Ōkura with 77.4%, while Yasuda was third with 59.3%. Clearly, prior to 1937, despite the large growth in demand for funds, due to the overall increase in revenues and the relative financial health of the Big Two direct companies (consequently, the Bank's as well), the
1933-36 kōkai was almost as much a strategy to redistribute capital resources as it was an effort to obtain outside funds through the stock market.94

It has been suggested that since heavy and chemical industries were not as important to Mitsui as they were for Sumitomo or Mitsubishi, there was not as much impact from the heavy industries boom; therefore, Mitsui did not have to depend on external financing as much in that the demand for capital did not surpass the capacity of Mitsui's internal financial resources95 As of the first half of 1937, it was true that in terms the allocation of financial resources, Mitsui had only 22.8% of its paid-up capital in heavy industries (mining, metals, machinery, shipbuilding) and 6.9% in chemical industries, as compared to 27.0% and 7.6% for Mitsubishi, and 35.7% and 10.8% for Sumitomo. However, in terms of actual amounts, Mitsui had ¥269.0 million paid-up capital in heavy industries and ¥81.6 million in chemical industries, compared to ¥230.1 million and ¥65.5 million for Mitsubishi, and ¥137.1 million and ¥42.6 million for Sumitomo.96 In fact, of the five new zaibatsu and eight of the established zaibatsu (the Big Four, Asano, Furukawa, Ōkura, Kawasaki), Mitsui had the largest amount of capital invested in heavy industries (second was Nissan with ¥268.9 million; however, Nissan had ¥99.8 in chemical industries). There was indeed a gross demand for capital: in fact Mitsui Gōmei's reserves went down from the January 1932 total of ¥112.7 million to ¥89.1 million by June 1936.97 The difference was that Mitsui was able to finance this expansion more from its reserves and from other industries, rather than from loans from the Mitsui Bank, or through loans from extra-Mitsui sources or via the stock market. In other words, it was the success of the Big Three chokkei subsidiaries, plus diversification of the 1920's, which created the foundation for Mitsui's ability to minimize the public nature of its 'kōkai.' Furthermore, like most of the other zaibatsu, Mitsui limited the non-Mitsui buyers to executives, employees, or other zaibatsu corporations and their executives. Although the stocks became more liquid, it was more from intra-
and inter-zaibatsu transactions rather than a sudden surge in the participation of individuals unassociated with a zaibatsu or a specific company.

(D) The Human Sources of the Kata-Gawari

Based primarily on statistics, the above analysis has shown that the larger economic trends and Mitsui's internal environment did indeed call for a business strategy which tackled the various demands for funds to finance continued expansion. The kata-gawari was seen to be a response which effectively catered to a number of Mitsui's aims during 1932-36. Most of the business histories approach the Mitsui kōkai by emphasizing the larger, systemic factors discussed above which wore down the efficiency of Gōmei as a holding company from 1932 to 1940. Although the political, public relations, and management factors are usually discussed briefly in such works, Ikeda's role in generating a strategy to guide the business aspects of the tenkō process from 1932-33 through to 1936 seems to be neglected. For example, in Matsumoto Hiroshi's Mitsui Zaibatsu no Kenkyū, although the kōkai itself is analyzed very thoroughly, there is no attempt whatsoever to identify the 'coordinator' of the implementation of the kata-gawari, or the origins of the development of the kōkai as kata-gawari. The mere fact that the statistical or systemic preconditions for the kata-gawari existed does not explain how such a multi-layered ("four-birds-with-one stone") strategy developed and operated from 1932 through the post-1937 changes. Generally, the statistics-based systemic analyses of the Mitsui tenkō tend to be indifferent to the following questions: Operating in the atmosphere of extreme political and economic instability of the early 1930's, how accurately could one executive, Ikeda, perceive, recognize, and integrate all of the external environment and the internal conditions in generating the kata-gawari strategy? What were the precedents or sources that Ikeda drew on, if in fact, he was responsible for the formulation of the strategy?
What alterations, if any, did he make before his retirement to accommodate the
trends which erupted in 1937? The first two questions will be dealt with in this
section, and the last one in section E.

Unfortunately, since minutes of Gōmei board meetings were unavailable, the
assessment can only be based on biographical information, Ikeda's own
statements, and accounts by contemporaries, used in conjunction with the
conclusions drawn from the statistical information studied above.

Notwithstanding the contrasting views on his personality, which ranged from
"cold and tearless" to "warm, selfless and kind," all accounts agree that Ikeda
was a talented executive. In fact, in the September 1936 issue of *Fortune*, Ikeda
was described as being "unquestionably the smartest businessman of Harvard,
class of 1895, or most any other class." For 1933-36, the 'smartest
businessman of Harvard '95' had (a) enough source data for the trends in heavy
and chemical industries, Manchuria and taxes; and (b) some relevant antecedents
for the kata-gawari, to analyze the external economic environment and the internal
conditions to formulate a business plan which would fulfill the objectives of
maintained or accelerated growth while retaining control of the maximum number
of its key subsidiaries. Ultimately, on the basis of the available evidence, it is not
possible to determine conclusively the human (rather than systemic or
circumstantial), origins of the idea of developing the kata-gawari, or inter-locking
shareholding. However, on the basis of evidence available, a conclusion can be
reached. Since Ikeda did have the information available to assess the situation by
1933-34, and by all accounts, the analytical skills to synthesize various sources of
information, including information from political intelligence networks (see Part 3),
and as the input of the other senior executives, such as Yasukawa and Makita, to
the formation of the central control and coordination policies of Gōmei was limited.
by Ikeda's hegemony, most probably, Ikeda himself did in fact develop the kōkai as kata-gawari strategy.

(a) Source Data

For most of the demands for capital, there were enough precedents and continuities from the 1920's to provide Ikeda with information needed to formulate a response to the existing business conditions. Of the two main areas of the expansion process (heavy and chemical industries, and Manchuria), the reallocation of funds to the heavy and chemical industries was a more logical product of the expansion of the 1920's. A strong argument could be made for the inappropriateness of the term "tenkō" for the growth of Mitsui's heavy industry and chemical products companies. As described earlier, the research, the acquisition or incorporation of Mitsui's chemical and heavy industries companies all occurred or originated in the 1920's. The only new heavy-chemical industries company that was started between 1932 and 1937 was Tōyō Kōatsu in 1933, a synthetic ammonia production company which used the hydrogenation formula acquired from Du Pont in combination with the French Claude method. The 1931 Important Industries Control Law (Jūyō Sangyō Tōsei Hō), made cartels in certain industries mandatory, which resulted in the formation of 48 cartels in 1930-32, including the formation of Nippon Seitetsu (Japan Iron and Steel Co.) which Wanishi and Nippon Seikōjo joined. The Seiyūkai Five-Year Plan, drawn up in September 1930 by Yamamoto Jōtarō, Chairman of the Political Affairs Investigation Committee, among numerous other proposals, called for provisions for the stimulation of manufacturing industries, and a government outlay of ¥400 million to increase Japan's annual production of steel, fertilizer, machinery, automobiles. The Plan provided favorable terms for the growth of heavy industries and was also the framework for the promised "Inukai prosperity" and a precursor to the post-1932
economic trends. In effect, the Minseitō Law and the Seiyūkai Plan helped provide recent 'source data' for Ikeda in forecasting trends for the heavy and chemical industries after 1932.

The expansion into Manchuria did not display as much continuity from the 1920's as that of the heavy and chemical industries in that in the 20's, Mitsui's investments in China and Manchuria did not increase as rapidly as was the case for the heavy and chemical industries. Under Masuda, Yamamoto, and Mori, Mitsui Bussan's business and other operations in China expanded rapidly. However, after the departure of the three men, although Mitsui investments in China were still sizable, Bussan's activities in China did not grow at the previous rate. Ōkura was more active than Mitsui during the 1920's in investing in colonial ventures and in Manchuria. Mitsui's initial lack of enthusiasm for the escalation of conflict in China, and the post-March 1932 change in attitude has already been mentioned. Dan was especially noted for opposing military expansion into Manchuria. In early 1932, when Dan Takuma was informed of a rumor that Holland was willing to sell New Guinea or Celebes, Dan offered to help buy one or both the islands, much like the U. S. had bought Alaska. However, the reply from the military was that the Army and Navy had enough firepower to get the islands for free; if Mitsui had so much money to spend, Dan was told, it should spend it on making more artillery and war machines.

Regarding the Japanese expansion into Manchuria, Eleanor Hadley has written that, "the philosophy of the four power groups [military, landlord class, bureaucrats, and zaibatsu]...bound them so closely together," that it, "made their differences nothing but a jockeying for position." The "philosophy" of Mitsui and the military were the same: both wanted to promote their respective long-term self-interests through the broad objective of expansion. However, the strategies of the military and the zaibatsu in promoting long-term self-interest differed. The zaibatsu
leaders were not opposed to military expansion in Manchuria because they were pacifists: it was more that it was not in Mitsui's long-term self-interest to alienate the West through military expansion because of the repercussions on Bussan's third country trade and trade with the West. Mitsui Bussan had a number of contracts with Western firms, and its largest market for all trade was the U. S., which amplified the importance of an adverse Western reaction to the Manchurian issue for the Mitsui zaibatsu. Yasukawa wrote in the April 1934 issue of Chūō Kōron (after he left Bussan) that the creation of a 'yen bloc' by force was not necessary as there was already "ample room for exploitation of markets such as Manchuria, China, Siam and other Asian countries where European competition is not keenly felt as elsewhere" -- meaning that the trade tariffs on Japanese goods in countries ranging from Australia to Spain, the Bahamas to Britain, and the U. S. to Chile, could be overcome by commercial means, rather than through military action. While the military may have believed that "War is the mother of culture and father of creativity," Mitsui wanted expansion without war. The differences between Mitsui and the military could be loosely likened to the difference between buying up a store, or robbing the store using a gun: the same underlying philosophy, the same general objective, but different strategies reflected in the different methods. Of course, such differences could still be likened to mere "jockeying," as long as the rubric were broad enough. However, it could also be argued that American and Japanese 'class interests' were also the same in that both were imperialist countries operating against the colonized peoples, which would also render the differences between Japan and America a mere "jockeying for position."

The potential windfall from the increased military activity was the increase in the demand for heavy and chemical industry products, and the further opening and consolidation of the Manchurian market. Ikeda converted Mitsui to a position of active support of the military activities in order to tap into the boom in the military-
related industries. However, when the given amount of risk overwhelmingly outweighed the expected returns in both business and public relations terms, as was the case with the auto industry during 1933-36, Mitsui and the other established zaibatsu declined to participate directly, in spite of the request of the government. However, as seen by its performance up to 1932, of all the zaibatsu, Mitsui needed the boost from the increased military demands for goods the least. Generally, in expanding investments into Manchuria and the high-growth industries, Ikeda was reacting to the situation, or 'going with the trends,' rather than operating from a previously determined strategy to cooperate with the military.

However, it should be reemphasized that maintaining growth was Mitsui's goal as opposed to rationalization through jettisoning. Mitsui's expansion or growth in the 1930's differed from that of the 1920's and the early 30's in that after 1933, no further diversification into new industries occurred. The tenkō was not a "rationalization of the zaibatsu...to provide for the full stage of conversion to heavy and chemical industry -- the stage of full monopoly," as Chō Yukio has claimed. The growth was in companies which had already been acquired, incorporated or planned in the pre-Manchurian Incident period, or in well-established departments such as Miike Dyestuffs and Mitsui Shipping. Mitsui used rationalization in order to facilitate further expansion through the elimination of product duplication, rationalization of the distribution of raw materials, which combined to increase efficiency (for example, the amalgamation of Claude-shiki Chisso to Miike Chisso in 1935, and the 1937 absorption of Miike Chisso by Tōyō Kōatsu). Mitsui did not jettison any subsidiaries in 1932-37, nor did it make attempts to withdraw from declining or low-growth industries.

In terms of recent and relevant information for the effect of the tax payments, Ikeda could draw on several sources. First, precedents for reforms based in part on tax reforms were present in Mitsui's past. The Nakamigawa reforms of 1893,
wherein the individual Mitsui families were given unlimited liability but the liability of the House as a whole became limited, and Masuda’s 1907-12 reforms -- the reorganization of Bussan, Bank and eventually Mining into joint-stock corporations -- were both influenced by the anticipated reforms in tax and corporation laws. In fact, Masuda advocated the reforms explicitly on the thesis that they were advantageous in terms of taxes and as a countermeasure to public criticism of the zaibatsu. Between 1919 and 1922, five Mitsui family heads died, which meant that if there had not been previous changes in the headships from retirement, there had to be successions in headship once the head died; this meant that Mitsui had already undergone an experience analogous to the 1936-40 situation. There was enough data for Ikeda to take into account the changes of the past decade, such as the great increase in Gōmei’s revenues since 1922, and predict the need for an increased supply of liquid assets for income and inheritance tax payments sometime in the near future. Examples from the early 30’s also point to a sensitivity to the tax laws. According to Makita, Tōyō Kōatsu was formed as a separate company in order to take advantage of the five-year corporate tax waiver for newly incorporated industrial companies. It has also been suggested that avoidance of corporate taxes motivated the sale of the Miike Chisso and Tōyō Rayon: by decreasing the Mitsui ownership in these companies to below 50%, these companies would evade being classified as family-owned corporations, thus, qualify for a lower tax bracket. The data available to Ikeda by 1933 allowed him to predict the growth of heavy and chemical industries, investments into Manchuria, and the need for liquid funds for tax payments in the future. However, these trends were not sufficient for Ikeda to predict the sudden increase in the demands for capital during 1937-40.
(b) Development and Coordination of the Kata-Gawari

In his memoir, Ikeda stated that the kōkai was undertaken to show that Mitsui's profits were not the exclusive property of the Mitsui families, and even criticized the "conservative" attitude of the Mitsui clan toward ownership of its companies. However, as has been seen, although Gōmei's financial role was significantly diminished, there was not as much 'sharing of the wealth' as Ikeda (and the Mitsui Bank histories) would have us believe. It is unclear whether inter-locking shareholding was the result of some kind of a long-term, auto-teleological evolution (as Matsumoto appears to imply), or was synthesized as a result of the systemic financial pressures which appeared in the 1930's, or was an intentional, planned strategy by Ikeda. If the kata-gawari stemmed from a deliberate intent to develop inter-locking-shareholding as has emerged in the post-war keiretsu, then, Ikeda should be accorded the label of one of the great innovators or business oracles of Japanese business organizational structure. In Zaikai Kaiko, Ikeda stated that he was too busy trying to deal with the Mitsui family heads and the political turbulences to take into account business considerations. He also asserted that it was "tentatively decided" that Bussan and Kōzan be opened to public subscription, but made no mention of the fact that the actual sale of shares from Kōzan did not occur until the second half of 1939, well after Ikeda had retired from Mitsui, or the fact that in the meanwhile, Bussan acquired a large portion of the shares sold by Gōmei. In his memoir, Ikeda was perfectly willing to take sole credit for the establishment of the Hō-onkai, advertise his 'public-mindedness' in carrying out a kōkai (or in post-war terms, "liberalism") by contrasting himself with the conservative Mitsui clan, but did not lay claim to the title of "Father of inter-locking shareholding." The possible solutions to Ikeda's uncharacteristic modesty are that, Ikeda was unaware of the significance that his pioneering policy would have in post-war Japan; or he in fact did not plan such an
extensive kata-gawari—that is, Mukai Tadaharu, who replaced Nanjō Kaneo in 1938 as head executive of Gōmei, could have magnified Ikeda's policies beyond Ikeda's original intent as the financial pressures heightened, with or without Ikeda's consent; or Ikeda was simply unwilling to acknowledge that he was motivated by a "conservative" desire to retain Mitsui control of as many subsidiaries as possible. In spite of his statements, Ikeda could not possibly have been unaware of the fact that the shares were being sold to other Mitsui subsidiaries. Ikeda's actions indicate that he wanted to maintain Mitsui control over the subsidiaries either through the redistribution of shares, or by selling shares to employees or other connected individuals. However, the contemporary accusations that Mitsui still retained control of the subsidiaries were based on general estimates about the percentage of Gōmei holdings still retained in the companies after the kōkai, not from an awareness of the kata-gawari. Considering Takakimi's response to the reason for Ikeda's retirement, not surprisingly, not a single contemporaneous account or the published recollections from those who knew Ikeda mention the kata-gawari of stocks.

As for precedents, Ikeda, having seen the British and American banks at work knew of the fact that Western companies raised or supplemented capital through the stock market. However, the concept of developing inter-locking shareholding through securities transactions, and the creation of a triumvirate (Gōmei, Bussan, Kōzan) of a holding company flanked by two sub-holding companies, if intentional, appears to be an innovative concept in Japanese business history. Whereas for every other tenkō policy or strategy, there was at least one precedent in Mitsui's own history, in the case of the horizontal dissemination of financial control, there were no direct precedents. Mitsui had undertaken a kōkai once before, in 1919 when 30% of the new shares issued for Mitsui Bank's capital increase was made available to the public. This move was
designed to supplement Gōmei's loan in helping pay for the capital increase of Bussan, Bank and Kōzan around that time. According to Ikeda, it was strictly a public relations move intended to show that the Mitsui Bank was not an "organ bank" for Mitsui companies or the exclusive domain of the Mitsui family. Regardless, the 1919 Bank kōkai was not a case of increasing Bussan or Kōzan holdings in the Bank. Individual executives and employees of Mitsui, and other zaibatsu families or executives, bought shares rather than the other chokkei companies. Even by 1929, of the companies which held shares of Mitsui Bank, Mitsui Trust was the only Mitsui firm, while the other large corporate shareholders were Kuhara Gōmei, Nomura Bank, 15th Bank, Tokio Fire and Marine Insurance (not Taishō), and Japan Oil. The Mitsubishi Kōgyō kōkai of 1919 had resulted in the decrease in Mitsubishi Gōshi holdings and an increase in the holdings of the Mitsubishi Bank, and a subsequent gradual increase in the holdings of Meiji Seimei (see Chapter III-1-A). The Mitsui pattern of diversification and expansion through decentralized initiative also meant that often, Bussan and Kōzan engaged in 'joint-ventures' with Gōmei, which was essentially the original result of the 1919 Mitsubishi Kōgyō kōkai. If Ikeda had been aware of the actual results of the 1919 Mitsubishi kōkai, combined with the Mitsui Bank kōkai and Mitsui's pattern of growth, it would have provided potential seeds of a strategy to foster large-scale inter-locking of shareholding. Although such potential sources of the conceptualization of the kata-gawari did exist, it is still quite a leap to go from a form of profit-sharing or decentralized initiative to the large-scale horizontal transfer of financial control of the holding company.

There was another issue of the implementation of Ikeda's plan. It was not a given that simply because a central strategy was devised, its implementation would be smooth. With the decrease in Gōmei's financial control, and parallel rise in the financial clout of Bussan and Kōzan, were Gōmei's ability to control and coordinate
the various enterprises eroded in any way? Was there no resistance to the reallocation of limited financial resources towards heavy, chemical, colonial, and munitions industries?

Although in Mitsubishi, a case of "corporate identity" contributing to the hindrance of the implementation of a centrally generated plan (such as the case of the 1931-32 breakdown of the N.Y.K.-O.S.K. merger talks which was due in some part to the opposition of Ōtani Noboru of N.Y.K. to Kagami Kenkichi's merger plans) could be considered more an exception than the rule, in Mitsui, as has been discussed, the centrifugal tendencies of the Mitsui structure had made such inter-company differences and conflicts almost the norm. Yasukawa's opposition to Ikeda's policies, the deterioration of Gōmei's financial ability to control the zaibatsu after 1937, and the ineffectiveness of the 'New' Bussan as a holding company during 1940-43, have already been referred to. The likelihood of Ikeda being able to fulfill his strategy for 1933-36 was high as long as he was present to force through the reforms against any internal resistance. That is, with or without Takakimi's support, Ikeda could create the outward appearance of consensus in a context of stability which resided in his hegemony over the complaints of the family heads and other senior executives who might oppose him, such as Makita, Yasukawa or Yoneyama. Thus, in order to increase the likelihood of the kōkai-kata-gawari strategy being implemented unchanged after Ikeda's retirement in April 1936, Ikeda recommended his kobun, Nanjō Kaneo, as the next head of Gōmei. Nanjō, however, retired as Gōmei head after the Dec. 1937 Rape of Nanking, to be replaced by Mukai Tadaharu from Bussan. Although the policy of kata-gawari continued, there were no adaptions in response to the changes in the external environment, the intensification of the demands for capital in the post-1937 economy. In fact, the idea of raising capital from outside sources seems to have lapsed or at least declined even more during the third period of the kōkai. Of the
¥25,559,000 of shares sold by Gōmei in the second half of 1937 to the first half of 1938, ¥19,740,100 were sold to Mitsui chokkei companies.128

(E) The Start of Mitsui Gōmei's End

In discussing the build-up to Pearl Harbor, Ienaga Saburō stated, "It is probably more accurate to treat events from 1931 on [to 1937 and 1941] as a single conflict."129 In economic trends, it was also true that there was continuity between the trends of 1932-36 and those of 1937-40, but as the statistics for taxes, loans, capital increases, and donations have demonstrated, the economic trends of 1932-36 intensified sharply after 1937. Furthermore, whereas 1931-36 was essentially a period of "self-control," or the so-called Yoshino line (named after Yoshino Shinji, the Vice-Minister of Commerce and Industry for those five years), 1937-41 saw the ascension of "state control." or the Kishi line (named after Kishi Nobusuke).130 Consequently, the demands for funds that are ascribed generally to the 'zaibatsu tenkan period' right after Dan's assassination, were in fact more applicable to 1937-40 than 1932-36. It is difficult to see that in formulating the strategies for 1933-36, Ikeda predicted the lifespans of the Mitsui family heads or that a string of successional changes would coincide with the outbreak of the China War in 1937, or forecasted the resultant escalation of government economic controls, tax rates, heavy industries expansion and loan interest payments, and the acceleration of the deterioration of Japan's economic relationship with the West. The trends themselves were present during 1932-36, but could Ikeda have predicted the sudden pace of acceleration of these trends from 1937 on when the kata-gawari was first implemented in 1933? There is no evidence to indicate that the kōkai was altered in any way under Ikeda, or that the initial formulation of the plan anticipated the intensification of the nebulous post-1937 demands for funds. A case in point was the fact that in the first half of 1937, prior to the outbreak of the war, there were
no sales of shares, and that Bussan's capital increase was decided in Jan. 1937, as delayed reaction to the increasing volume of transaction, not in anticipation of Marco Polo Bridge, and not from Ikeda's original plan. This was because the kata-gawari seemingly met all the objectives and becalmed the external pressures of 1932-1936. However, by virtue of the rapid intensification of the economic and political trends, 1932-36 and 1937-40 were, if not two different periods, at least two very distinct stages.

In actuality, because of the foundation set by Ikeda from 1932-36, Mitsui's responses to the post-1937 trends proved inadequate in its attempt to meet the objectives, which had not changed with the new trends. In terms of the larger framework, Ikeda's policies paralleled Takahashi Korekiyo's financial policy. Takahashi has been criticized by some for following a policy of deficit financing and not putting a cap on military expenditure for the first two-three years (1932-35), then trying to stop the trend when he felt that inflation had served its purpose. This criticism echoes those directed against Inoue during the Dollar-buying Scandal. Inoue lifted the gold embargo, but when the efflux of gold and currency speculation took place, he refused to take responsibility for his own policies and instead criticized the zaibatsu. Likewise, Ikeda's policies of 1933-36, whether a tenkan or a tenkō, 'converted' Mitsui toward a stronger focus on industries that were expanding due to the growth of the market through military activities: but when military prerogative and government controls began to impinge on the freedom and long-term profitability of the business interests after 1937, as Minister of Finance and Minister of Commerce and Industry (May 1938-Jan. 1939) in the Konoe Cabinet, Ikeda began to oppose the government and the 'reform bureaucrats.' However, the cast had already been moulded in 1932-36 by Ikeda's own hands. By displaying a willingness to take advantage of the military expansion into Manchuria, in other words, over-flexibility, Ikeda created a firm precedent for
compliance with the army that the less dominant and less politically powerful executives who replaced him at Gōmei found easy to follow.

On a more specific level, the kōkai as kata-gawari was effective as a strategy for 1933-36, but the underlying objectives were incompatible with the times. The attainment of both continued growth and the maintenance of Mitsui control of the maximum number of key subsidiaries was not possible in 1937-40. If Ikeda and Mitsui Gōmei had attempted to rationalize, through jettisoning and comprehensive reallocation of capital resources; or had limited and controlled the pace of the capital increases of its subsidiaries; or used the kōkai to create a more genuine influx of extra-Mitsui capital, the cumulative effect of the taxes, loans, donations and capital increases during 1937-40 would not have been as great; as a result, Mitsui may have been able to better retain control of its subsidiaries in high-growth industries. In its attempt to meet the objectives of expansion and the maintenance of Mitsui control of subsidiaries, the kata-gawari failed to generate a sufficient infusion of outside funds into Mitsui to meet the capital demands that the kata-gawari itself was producing. Due to its ability to provide most of its short-term business finance through its internal funds in 1933-36, Mitsui was able to maintain the highest percentage of financial control of its direct subsidiaries among the zaibatsu. But the reverse side of this success was that in 1937-40, when the capital needs grew, because of the unabated expansion and reliance on internal funds, Mitsui was forced to take out increasing amounts of loans, which in turn meant more interest payments. In 1930, when discussing the gold policy during his only real meeting with Saionji, Ikeda stated that the 1927 rationalization had not been thorough enough, and that this was largely to blame for the economic woes of 1930.134 Ironically, the failure to conduct a complete reform or rationalization of the financial structure of the Mitsui zaibatsu, and a fundamental change in its objectives in 1933-36 meant that with the effects of 1937-40, Mitsui could not adjust
to its new environment. The kata-gawari, although innovative, efficient in meeting the objectives, and an important step toward the development of the post-war Japanese keiretsu structure, essentially constituted an effort to disguise partial reforms of Mitsui’s financial structure as a sweeping change in objective or raison d'etre.

PART 3: THE 'HIDDEN' SIXTH POLICY

Previous serious studies of the Mitsui tenkō have either emphasized the political or the business aspects of the tenkō, thereby throwing light on the tenkō from specific angles rather than from an overall view. Generally speaking, the sixth policy, the disbursement of funds to extremists factions and organizations, the establishment and expansion of the intelligence network, and the jettisoning of connections to the parties, has been studied almost exclusively in works which have focused on the political aspects of the tenkō.

In studying the sixth policy, it should be noted that the activities of the Mitsui zaibatsu in the political arena were not undertaken with the objective of acquiring political power as an ends in itself. In general, businessmen did not aspire to the top political positions within the parties, with the exception of Wakao Shōhachi and Kuhara Fusanosuke, both of whom attempted to use their business interests to gain political power, which was somewhat different from the conduct of Mori Kaku or Yamamoto Jōtarō who pursued their political careers about seven years after they left Mitsui Bussan (they both joined the Seiyūkai in May 1920).135 Rather, the political manoeuvres were intended to gather information to gauge the external environment, respond to the existing external conditions, or in some cases, attempt to adjust the external environment itself to a more favorable state.
Ikeda's mandate was to navigate the Mitsui zaibatsu through waves of criticism and terrorist attacks. At first glance, the strategy of diversifying and reorganizing political connections, the ryōmen sakusen (double-faced strategy, or Hydra strategy -- since at one point there were more than two sides being supported), appears to have been an innovation in Mitsui's history in that Mitsui was perceived as having developed out of good relations with strictly those in the government. Furthermore, the ryōmen sakusen ran counter to popular contemporary (and present) conceptions of the power of the 'invisible' social bonds (such as school affiliations, obligation and indebtedness), and the 'cooperative' nature of Japanese society. However, the reforms followed the patterns set in the Meiji Restoration for crisis business-political operations (as opposed to normal business operations), where connections which were perceived to have outlived their usefulness (such as the parties), were jettisoned, while instead of withdrawing from further government or political connections, Mitsui became more intertwined with potential wielders of political power. The practice of maintaining a political presence and good relations with those in power (or those who might obtain political power) was sustained by Masuda, Dan and Ariga. However, in applying the Meiji precedents to 1932-36, Ikeda was too hasty, or over-flexible, in jettisoning the connections with the parties. Instead of supporting the parties which advocated peaceful expansion, Mitsui satisfied itself with accommodating the existing external conditions. The ryōmen sakusen, like the kata-gawari, ultimately led to developments which were not favorable to the long-term self-interest of Mitsui zaibatsu.

(A) Mitsui and Politics, 1932-36

At one point, Ikeda's name was linked to the Banchōkai (a group of relatively young executives, of which Gō Seinosuke was the head), which was reportedly
planning for a return to party cabinets.\textsuperscript{136} The movement seemed to have potential since one of the members of Banchōkai was Nakajima Kumakichi, Minister of Commerce and Industry in the Saitō Cabinet, and it had the support of the Asameshikai (the Breakfast Club), an organization which counted Nagata Tetsuzan, Kidō Kōichi, Gotō Fumio and Ikeda among its members.\textsuperscript{137} However, the Banchōkai itself was discredited when the Teijin Scandal came to the surface, thereby eliminating the Banchōkai as a potential channel for a return to party cabinets. The Teijin Scandal centered around the acquisition of the frozen shares of the ex-Suzuki subsidiary, Teijin Rayon, the oldest rayon company in Japan. Kaneko Naokichi, the ex-head executive of Suzuki, had been unable to buy them, but the Banchōkai organized a buying syndicate which was successful in obtaining 100,000 of the 220,000 frozen shares via bribes to the appropriate government officials.\textsuperscript{138} Nakajima was arrested, the Okada cabinet was forced to resign, and the parties were further discredited. When the time came for the next general election in 1936, Ikeda decided to stop funding the parties because of the negative public perception of the connections between zaibatsu and parties. Both parties were split into factions, and in addition, Suzuki Kisaburō and the Seiyūkai was aligning itself with the military anyway. But Ikeda relented and gave some funds to individual politicians who had personal contacts with Mitsui (presumably from his naturally philanthropic disposition).\textsuperscript{139}

In the meantime, Ikeda explored the alternatives in the political investment market. Even before he became Gōmei head, in June 1931, at a dinner with Hiranuma Kiichirō and Hashimoto Kingorō, who was the Russia Section Planning Chief at the time, Ikeda realized the threat posed by the younger officers such as Hashimoto. During the dinner, which was arranged by Hiranuma to hear Hashimoto's analysis of the Russian threat, the army man instead talked about attacking capitalists, not Russia. Hashimoto said, "I won't listen to what the
government says; I will listen only to the Emperor...When I shoot, it won't be at the people," and looked at Ikeda meaningfully (jirotto mita). Once he became Gōmei head executive, Ikeda arranged for a meeting with four young officers, Mitsui Sakichi, Yamaguchi Ichitarō, Katō Tetsuya and a Capt. Hayakawa. Although Ikeda turned down later requests for money from these officers, he eventually began to fund the ultranationalist theorist Kita Ikki. Ikeda was introduced to Kita in late 1932 by Ariga, who in turn met Kita in Dec. 1931 through Nakano Seigō, a member of the right-wing faction of the Minseitō. Ikeda started giving Kita money, ¥20,000 annually in two installments per year so that Kita could support his wife, adopted Chinese son, three maids and a chauffeur. In July or August of 1935, Ikeda gave Kita an additional ¥5,000 which Kita claimed he needed to move to a new house, buy a telephone, and to go for a trip to China on a 'diplomatic mission.' Also, Ikeda had to arrange for the payment of Kita's rents, as Kita was prone to forget to pay at most of the places he lived. The trip to China was cancelled, but Kita requested another ¥10,000 in December of 1935, which, according to Ikeda's statement, turned out to be the last payment. Ikeda conveniently refused to see Kita in Jan. 1936, also refused to arrange for an interview with Mitsui Sakichi in Dec. 1935, and rejected a request for ¥3,000 from Yamaguchi in Jan. 1936.

Through Kita and his disciple, Nishida Mitsugu, Ikeda developed ties to the Kōdōha (Imperial Way faction). Nishida served as Kita's liaison man with the Kōdō faction officers and was the aqueduct for money from Kita to the Kōdōha. The Kōdōha was greatly influenced by Kita's 1919 work, Nihon Kaizō Hōan Taikō (An Outline Plan of Measures for the Reorganization of Japan), which outlined the program for the "Showa Restoration." In his book, Kita called for four main renovations: 1) End the class war; 2) Confiscation of all individual assets over ¥1 million, and the nationalization of all corporate assets over ¥10 million; 3) Restore
the "people's Emperor"; 4) Japan should lead other Asian countries in the struggle against Western imperialists. In spite of his 1919 opinion of the zaibatsu, Kita managed to end up on Mitsui's payroll. In the meantime, soon after Ikeda refused a request on Feb. 22 by Yamaguchi for an interview, Ikeda's name came up during the trial of Aizawa Saburō for the Aug. 11, 1934 murder of Nagata Tetsuzan, a leading figure of the Tōseiha (Control faction). Aizawa's military defense counsel was Mitsui Sakichi. Mitsui accused Ikeda of giving Nagata money to try to corrupt the military, just as Ikeda had bought out the genrō and the parties. There were also rumors that Nagata and Ikeda were planning to form a cabinet with Ikeda as prime minister. Although Ikeda claimed that he met Nagata only once, through a mutual friend, to hear about Nagata's observations from a recent trip in China, another source claimed that Nagata planned to set up a Cabinet with Ikeda as Prime Minister. Considering that both Ikeda and Nagata were in Hiranuma's pseudo-ultranationalistic society, the Kokuhonsha (the National Foundation Society), and the Asameshikai, such a connection is not entirely implausible. In fact, it seems more unlikely that Ikeda met Nagata just once. However, Ikeda claimed that he was a member in name only, and that he never attended any of the meetings. Ikeda's was listed as the auditor of the Kokuhonsha, but according to Ikeda, Hiranuma did not have Ikeda's permission to use his name. But by the same token, it can be noted that obviously, Ikeda did not object either. Ikeda was to be called up to the witness stand on Feb. 27. However, the Feb. 26 Incident prevented this. After the rebels surrendered, Ikeda's connections to Kita and Nishida came under investigation by the kempeitai (Military Police). The investigators concluded that Ikeda had not given any extraordinary amount to Kita in Feb. 1936 in order to support the rebellion, and that any sum in excess of Kita's living expenses had been funnelled into the Kōdōha via Nishida in an attempt to gain control of the Young Officers, not to encourage a rebellion. The question of
whether Ikeda actually gave extra money to Kita to carry out the Feb. 26 Incident or not is very clouded as there were no material records or confessions to support such an accusation. However, public reaction against Mitsui flared up again, prompting Ikeda to effect the purge of old executives, but most importantly, himself.

Upon reading Ikeda's statement to the kempeitai regarding his relationship with Kita, one is given the impression that Kita was a crank who was stranded in one Freudian dependency state or another. Regardless, Ikeda's motivations in establishing contacts with Kita clearly did not stem from philanthropy. Ikeda paid Kita either for information, or for protection of Mitsui family and executives from assassination attempts, or as an investment in a faction which had some chance of success. In fact, Ikeda appears to have had access to several different sources of intelligence information. Just prior to the Shimpeitai Incident, a member of the kempeitai phoned to warn Ikeda that he and Iwasaki Koyata were targeted for assassination. In this instance, the would-be rebels were stopped before they could set their plan in motion. On the morning of Feb. 26 Incident, Ikeda went into hiding in a private Yokohama hospital after he was warned by a policeman on the phone (before the attacks were made public) that the assassins who killed Makino earlier in the morning were on their way to Ikeda's Ōiso villa. Ikeda also warned Kidō that the Saitō Cabinet was linked with Mitsubishi interests in the minds of some circles within the Army, indicating that he had an access channel for information on the army. According to one account, Mitsui spent an estimated ¥150,000 per month on intelligence networks. Borrowing cybernetics and systems management terminology, this was an attempt to "synchronize the firm and the environment." The fact that Kita was being paid by Mitsui was not publicized within the Kōdō faction, as evinced by Ikeda's account of how Kita dissuaded the conspirators from killing Ikeda. Rather than explain that Ikeda had been essentially financing the Kōdōha indirectly, Kita instead advised the rebels that, "If you're
going to criticize Mitsui or the zaibatsu, it makes no sense to kill Ikeda. I can see why you might want to get someone named Mitsui Hachiroemon or Mitsui Takakimi—but Ikeda's just a banto. Although in the confusion, Ikeda was put on a secondary list of people who would be killed in the later stages of the rebellion, Kita's refusal to sanction the elimination of his personal bank, Ikeda, and the fact that the public manifesto of the Feb. 26 rebels did not name the zaibatsu among its list of villains—unlike the May 15 manifesto—are two indicators that the Mitsui investment into the Kodōha in fact bought Mitsui some, albeit not a complete, measure of safety.

The reason behind Kita's reticence in explaining his connections to Ikeda to his Kodōha followers is unclear, however. From various personal accounts, it is plain that most of the Kodōha members noticed Kita's lifestyle, but did not know where the money came from. It is possible that Ikeda himself did not want to be publicly associated with a particular side, in case the specific group lost. Or it could have been that Kita was wary of undermining his credibility by being too open in his acceptance of zaibatsu money. In 1925, Kita was accused by Okawa Shūmei of being 'bought out' by the Yasuda zaibatsu in an incident over the lay-off of a number of its employees, one of whom was a member of Okawa's Gyōchisha. The evidence available indicates that Kita did receive a sum of money from Yasuda. How Kita justified taking money from the 'traitorous' zaibatsu in his own mind is also not clear.

As noted above, Ikeda had contacts with the Tōseihana through Nagata, and with the Banchōkai pro-party movement. This was the strategy of risk-avoidance and seemingly rational promotion of long-term survival through diversification of political 'investments,' the ryōmen sakusen.
(B) Precedents for the Ryōmen Sakusen

Matsuoka Yōsuke wrote in 1934, "Japan operates on giri (obligations) and ninjō (empathy, sympathy), not reasons and interests." In 1981, in Mitsubishi Shōji Sha shi, it is stated that, "the structure of the [prewar] Japanese economy was profit-oriented, but its spirit was cooperative." Ikeda's actions seem to conflict with the past and present conceptions of Japanese social obligations and the way such 'invisible' ties organize 'life-long' interactions. However, Ikeda's strategy was not even unique in Mitsui's history in their calculating accommodation with the currents of the times.

In fact, in Mitsui's modern history, there had been other instances where a Mitsui bantō has either funded or almost funded a rebellion against the official Japanese government. The first time was during the Bakumatsu-Meiji Restoration period, when Mitsui was in a position similar to that of the 1930's in that great economic and political dislocation, plus a strong possibility of a violent change in government, existed. The second instance occurred in 1931, when Mitsui almost ended up financing the March Incident.

The 1860's was the only period other than the 1930's in Mitsui's modern pre-war history where it was faced with a very real threat of a successful coup riding on the basis of a systemic crisis. Hence, although the 1920's served as an essential background for the anti-zaibatsu sentiments and Mitsui's business motivations for the tenkō in the 1930's, any consistent pattern in Mitsui's political reactions and initiatives under conditions of systemic crisis (1860's) would be more valid precedents. Other reforms in Mitsui's history did not occur in a context of a larger systemic crisis, but rather, stemmed from internal or economic crises only. The combination of long-term economic and political deterioration in a system seemingly incapable of change, was not present when the parties gradually
phased themselves into the hanbatsu alignments or during Japan's other relatively tumultuous periods.

Of course, there were basic differences between the 1860's and the 1930's. For example, the scope and scale of Mitsui's operations were far smaller in absolute terms in the 1860's than in the 1930's; there were also great differences in the diversity of the sources of Mitsui's revenue, and in the degree of financial self-sufficiency; in comparison to the businessmen of the 1930's, Mitsui, and chônin (merchants) as a whole, were not as autonomous as political players in the 1860's; and by the 30's, the governmental system had changed -- important government posts were no longer monopolized by a small ruling oligarchy of ex-samurai.163

The key difference between the 1860's and the 1930's for the Mitsui zaibatsu was that in the 1930's, although economically and politically more powerful than it had been some seventy years ago, Mitsui found itself in a strategically less viable position than it had been in the 1860's. During the Meiji Restoration, Mitsui was not a direct participant in the proceedings, and it was in a strategically viable position, because it was needed by both sides for its money, its experience with paper currency, and experience in business-commodities the new government lacked. Conversely, in the 1930's, Mitsui took over the role of the Tokugawa bakufu (for that matter, the Ashikaga during the Kemmu Restoration of 1333) as the villains who had warped the true social order. Nevertheless, the similarities are worth pursuing, especially since the ryômen sakusen used in 1932-1936 had its origins in the mid-1860's.

In the 1930's, Mitsui advertised the fact that it had helped make the Meiji Restoration possible as a proof of their sense of responsibility to the needs of the larger society.164 There have been several interpretations regarding the role of the chônin in the Meiji Restoration, usually centering around the voluntary or involuntary nature of chônin financial support to the Sat-Chô forces.165 Although
Mitsui was not the largest merchant house prior to the Meiji Restoration, it was still among the most prominent, and one of the most active in supporting the Loyalists. During the Bakumatsu period, the bakufu was faced with the military challenge from the Loyalist forces, the financial crisis from the reduction in revenue from the Bunkyū Reforms of 1862, and the indemnity payments to the foreigners for the incidents involving Satsuma men (the Richardson case) and Chōshū. These developments required funds: to obtain the money, the bakufu resorted to levying enormous amounts of *goyōkin* (forced loans or levies) on merchant houses, especially Mitsui. Since they were originally from Matsuzaka, the Mitsui clan had ties to the Lord Kii, a shinpan. Also one of the leading bakufu officials, Ōguri Tadamasa, was an *onjin* (loosely translated, a patron) of Minomura's. In spite of this, the Mitsui clan and Minomura were faced with a series of negatives from the shogunate: large sums of money almost arbitrarily demanded with no hope of repayment; a government which no longer possessed the talisman of legitimacy, the emperor; despite (or perhaps because of) Tokugawa Keiki, a government without unified leadership; and a government incapable of handling the foreign intrusion. The economic woes of the commoners (as opposed to a preference for a Sat-Chō government over the bakufu) resulted in frequent rioting in the major cities (iinjanaika riots, tax delinquents). Under the guidance of the ōbantō Minomura Rizaemon and the Mitsui House head Mitsui Hachiroemon Takayoshi (Kōfuku), the Mitsui clan forged links with the *shishi* (loyalist samurai) before the Meiji Restoration took place. Saigō, Komatsu, Mutsu, Ōkubo, and others visited Mitsui shops in Kyoto.

Upon receiving an order from the Imperial Court to donate money to the Loyalist cause, after much deliberation, Mitsui decided to contribute to the Loyalist armies. Before the battle of Toba-Fushimi, Saigō concluded that the Loyalists did not have enough money to do battle, so he basically ordered Mitsui to contribute
funds for the army. Mitsui supported both sides until just before Toba-Fushimi (Dec. 26, 1867) when they agreed to take the official business of the Imperial forces. There was considerable autonomy and decentralization in Mitsui during the Keiō years; consequently, the Edo, Osaka and Kyoto branches moved without consulting the Ōmotokata which resulted in the Edo branch supporting the bakufu longer, while the Kyoto and Osaka shops were more likely to donate funds to the Imperialist cause. Also, if the bakufu won, the Edo shop would be in danger if it supported the Loyalists while the reverse would be true for the Kyoto shop. But on the other hand, by supporting both contenders for power, whoever won, Mitsui could claim to have financially supported the victorious side.

Minomura, in consultation with Hachiroemon Takayoshi (Kōfuku), made the decision to follow a ryōmen sakusen. In doing so, several precedents and patterns were set. As noted before, Ōguri Tadamasa was Minomura's onjin. In past and present studies on Japanese business, much emphasis has been placed on the 'invisible' bonds which tie leaders together, such as being of the same graduating class at university or a military academy, marriage connections, a oyabun-kobun or an on-giri relationship. If such social networks are important even today, such 'traditional' obligations must have carried at least as much weight in the 1860's. However, Minomura's obligations to Ōguri did not prevent him from refusing to participate in the first joint-stock company in Japan, organized by Ōguri, or from financing the Loyalist cause while at the same time handling the bakufu's new paper currency circulation. Mitsui Hachiroemon's hereditary duty to the Lord of Kii was also cast aside once the forecast was clear.

One writer has stated that the chōnin turned against the bakufu primarily because the harsh governmental regulations controlling economic life and arbitrary use of merchants' wealth for the bakufu's own purposes. However, in observing the behavior of the Loyalists prior to the Restoration, the difference in conduct
between the Loyalists and the bakufu in this regard was negligible. Whether it was the bakufu or the Imperial forces, both sides basically extracted money or solicited 'gifts' from Mitsui and other merchants whenever necessary. Unless there were some discussions between Mitsui and the Imperialist leaders as to what kind of role Mitsui would play in the new order, there was little to choose from on a strictly economic basis. The main difference was that the Loyalists were clearly more likely to win. Basically, whatever the policies, supporting the side most likely to win was deemed the most expedient. Social obligations were not of prime importance if they were no longer advantageous. While maintaining connections with both the Imperial forces and the bakufu, once the outcome could be clearly forecast, Mitsui did not hesitate to covertly plan for the jettisoning of connections with the losing side.

Under the circumstances, the debate over the "voluntary" or "involuntary" nature of the chōnin support to the Imperialists seems inapplicable in that no decision made was entirely of Mitsui's own free will. Minomura and the Mitsui families could actively develop ties with the shishi, or make decisions to go into their cellar store of silver to support the Sat-Chō army, but ultimately, they were forced to make decisions whenever one of the two sides levied demands for money. In complying with the various demands for money, Minomura and Hachiroemon stumbled upon the ryōmen sakusen strategy. Though Mitsui did not initiate any of the political action, Minomura and Kōfuku were able to analyze the conditions and predict the likely winner. This was not the same as generating a plan and attempting to ensure its implementation, or the success of the political power most likely to aid that plan. Nevertheless, in reacting to the situation, Minomura and Kōfuku established the precedent and the pattern for political dealings for the maximization of longevity. Especially because of the dividends
generated from the connections to the new Meiji government, Mitsui regarded their actions during the Bakumatsu-Meiji Restoration period as a success.

However, it is interesting to note that in his will made in November of 1722-the basis for the 1900 Mitsui family constitution-Mitsui Sochiku specifically stated that it was not desirable for Mitsui to get mixed up with government politics:

Article #4-Farsightedness is essential in life. Running after small interests at sight, one might lose huge profits in the long run.

Article #20-In case of business with the government, the members of the House shall be modest with due respect for the government officers, but honesty and business morality shall be upheld under all circumstances.

Article #21-The failure of many fellow traders was due to the fact that they mixed up with Government politics and overstepped their own business. Do not forget that we are merchants. The Government business shall remain as a side line. It is a great mistake to be involved too deeply in the Government affairs and neglect our own business. The service for the Government shall be distinguished from our family business, although we should attend to the Government service faithfully and efficiently.  

Despite the alternative mode of political risk avoidance (abstaining from active participation in politics) advocated in the Mitsui constitution, Mitsui chose the ryōmen sakusen strategy instead when it faced its greatest modern political crisis. By 1868, Mitsui's future was tightly interconnected with that of the new government.

In the 1860's and the 1930's, initial 'investments' of money were made in the hopes of greater long-term benefits. Although the the results of the establishment of the Hō-onkai and the connection with Kita were mixed, in the Bakumatsu-Meiji Restoration period, the fruits of the initial sacrifice ripened perfectly for Mitsui in the Meiji period. As a result of its political manoeuvres, it was able to survive the fundamental changes intact, and with a new patron, the Meiji government. A large part of Mitsui's emergence and development into a zaibatsu in the Meiji period stemmed from their decision and ability to support both sides, and more
importantly, the victorious side, of the Meiji Restoration. Mitsui was given numerous official governmental contracts, which fuelled its growth and expansion in the Meiji period. Mitsui made no attempt whatsoever to move away from governmental contracts. Through Minomura’s connections to Ōkuma, Shibusawa and Inoue Kaoru, Mitsui, along with Mitsubishi, came to epitomize the term seishō. Mitsui Bussan was formed as a result of the cooperation between Minomura and Inoue, and after its establishment in 1876, was given the contract to supply the government army with uniforms and provisions. Masuda Takashi, an Inoue kobun, was appointed the head of Bussan. Mitsui Bussan made a huge profit from the Satsuma Rebellion, as did Mitsubishi and Ōkura Kihachirō. Minomura consulted with Inoue before undertaking reforms of Mitsui’s enterprise structure in 1873. Under the aegis of Inoue, Mitsui handled government rice from taxes, the circulation of government currency, and basically served as the national bank in partnership with Ono-gumi until Ono-gumi’s bankruptcy in 1874, and continued in this capacity up to the establishment of the Bank of Japan. Even afterwards, Mitsui continued to hold the deposits of five ministries and the army.174 The government sale of pilot factories and mines provided the springboard for Mitsui’s diversification and eventual growth into a zaibatsu.175 However, it should also be noted that Shimada and Ono-gumi as well as several other prominent early Meiji seishō received government patronage but failed to survive into late Meiji, indicating that the managerial and political skills of Minomura did make a difference in surviving the early uncertainty of the Meiji period. Even on this point, though, there were rumors that Inoue warned Mitsui ahead of time (in 1874) that the government was going to demand security on its bank deposits, while withholding that information from Shimada and Ono.176

After the acquisition of the pilot factories and mines, Mitsui began to become more independent of the government under the executive directorship of
Nakamigawa Hikojirō. On Inoue’s recommendation, Nakamigawa was appointed head executive in 1890 to reform a Bank whose internal situation had deteriorated steadily since Minomura’s death. In fact, in 1889-1890, a run was started on the Mitsui Bank Kyoto branch, and the Bank had to be rescued by the intervention of Inoue and Kawada Koichirō, then serving as the president of the Bank of Japan.

However, Nakamigawa was not just another Inoue kobun. Aside from having the distinction of being a nephew of Fukuzawa Yukichi, and later Ikeda Seihin’s father-in-law, Nakamigawa was the only executive in Mitsui’s pre-war history who attempted to adhere to the recommendations of the 1900 Mitsui family constitution in regards to relations with the government. Among his many reforms, Nakamigawa began the practice of actively recruiting university graduates from Keiō Gijuku (two of whom were Yoneyama and Ikeda), raised the salaries to attract the best talents, collected on defaulted loans, and encouraged the industrialization of Mitsui. In addition to the above program, Nakamigawa also declined to handle government funds or give loans to officials without adequate collateral. The most famous example of this new policy was when Nakamigawa refused to give Ito Hirobumi a loan because the genrō lacked collateral. Like Minomura before him, Nakamigawa’s health failed before he could complete his reform agenda. Although opposition against Nakamigawa’s policies from the Mitsui family and Masuda mounted, it was not until Nakamigawa’s death at the age of forty-eight in 1901, that his policies ceased.

Under Masuda, Mitsui returned its attention to its commercial interests, and in the area of political connections, a return to the precedents and traditions set in early Meiji occurred. Mitsui Bussan men such as Mori Kaku and Yamamoto Jōtarō became active in the turmoil of the Chinese political scene, and links to patriotic groups and the government were consolidated around this time. One of these ties was between Uchida Ryōhei, one of the two doyens of ultranationalism (along with
Toyama Mitsuru), and Masuda. In 1911, when Uchida found out that Mitsui Bussan, Ōkura, and Takada Shōten were supplying large amounts of military goods to the Beijing government, Uchida met with Masuda and admonished him for helping the Beijing government instead of the Kuomintang. Masuda was convinced by Uchida of the desirability of a Sun Yat-Sen government. Soon after, Uchida also borrowed ¥1.8 million from Mitsui to help finance the reformist army. In addition, Hayakawa Senkichirō, Ikeda's predecessor at Mitsui Ginkō, and Ariga Nagabumi had been officials in the Finance Ministry with connections to Konoe and Hiranuma before their entry into Mitsui in 1900. Hayakawa was instrumental in founding the Hōtoku Kai (Repayment of Kindness [to the Emperor] Society) in 1906, a nationalistic organization supported by the Ministry of Education which emphasized traditional values and the idea of repaying the emperor through hard work and learning. Yamamoto, Mori, Tanaka Giichi, and Suzuki Masaya, head banto of Sumitomo until his retirement in 1922, also participated in this society, which like its cousin, Uchida's Kokuryūkai, was also keenly interested in the events in China.

It is unclear if Dan himself had connections with ultranationalist societies. The circumstances surrounding the second instance of Mitsui being indirectly involved in a coup attempt would indicate that Ariga, if not Dan, had taken care to maintain contacts with the extremists. It was in the spring of 1931 when Major Satō Kotoku of the Sakurakai approached the Mitsui Tokyo head office and asked Ariga for a contribution of ¥200,000 for "national purposes." Ariga gave the money to Satō several days later. The "national purpose," as it turned out, was the abortive coup attempt, the March Incident. When the coup was called off, the money was returned to Mitsui. Also, after he was introduced to Kita Ikki by Nakano, Ariga gave Kita ¥20-30,000 and asked that no harm be done to Ikeda.
Although Ikeda stated that political dealings and government-Mitsui lines had been severed since Nakamigawa's reforms,\textsuperscript{183} clearly, the reality was that it was only during, Nakamigawa's ten years with Mitsui, but not before or after, that the Mitsui zaibatsu was not in the seishō mold. Nakamigawa's political policies were an aberration in Mitsui history.

In the mid-1860's and the early-1930's, Mitsui faced situations where the present partners or patrons (the parties and the bakufu) lacked unified leadership, and were proving to be inefficient or incapable of handling the systemic crises. In both cases, Mitsui used the strategy of ryōmen sakusen to support all contenders for political power, especially alternatives to the present government. Mitsui supported the non-governmental forces in spite of the fact that neither the conduct of the Loyalists nor the actions and the espoused ideology the factions within the military (especially the Kōdōha) were particularly conducive to the furtherment of Mitsui's long-term self-interest, other than the fact that there was a possibility that the Loyalists or the Kōdōha would win political power or at least provide information on the current political trends. Thus, the patterns of Mitsui's political dealings in the 1930's were essentially a re-emergence or a continuation of the precedents set in the 1860's.

(C) The Effects of the Ryōmen Sakusen

By following ryōmen sakusen, whichever group obtained power, Mitsui would have backed it, or at least would have advance information on the intentions of that faction. Ikeda first maintained or increased Mitsui's diversified political 'investments,' then utilized the information network and political developments to identify the trends for the near future, then retracted the ties and investments from the low-risk-low-return field (parties) and reallocated political 'investment funds' to what amounted to a high-risk investment with no guarantee of any returns, but also
a potential for high returns (Kita). However, there was a major difference between the Meiji Restoration and the Showa Restoration. With the bakufu, the reciprocity of the relationship had clearly deteriorated by 1868, whereas the relationship with the parties had not changed qualitatively or quantitatively prior to 1932. That is, the aside from the negative publicity, the relationship with the parties still paid dividends, so that there was actually less incentive for Mitsui to move away from the parties than had been the case with the shogunate.

The party connection was jettisoned when it became clear that it was not a useful 'investment' in the sense that the parties were highly unlikely to wield political power in the near future. Owing to the public perception of zaibatsu-party relations, and the fact that the parties as a whole (as opposed to individual party politicians) were no longer in positions of power, the connection was assessed to have a low amount of expected return for the high amount of risk. The former high-return asset was quickly judged to be liability that needed to be jettisoned, and a reallocation of funds occurred in political connections.

However, though the party cabinets went by the wayside after 1932, individual members of parties were still appointed as ministers, and elections were not terminated. Furthermore, party politicians had proven to be cooperatively malleable during the twenty years-or-so association with the zaibatsu, more so than had been the case with the shogunate. Mitsui itself held more political power, and the objectives and the strategies of Mitsui and the parties were still compatible even after 1932. Casual meetings between zaibatsu leaders and politicians to discuss national policy was common. For example, upon Ikeda's return from his 1929 trip, Inoue consulted with Ikeda regarding the gold embargo policy, saying that he wanted to hear Ikeda's observations from the West before he made up his mind. When Takada Shōten went bankrupt in 1927, Ikeda had frequent access to Hamaguchi, who was then Finance Minister, and spoke to him rather pointedly
regarding the government's refusal to help prop Takada.\footnote{\textsuperscript{184}} In Kido Koin's diary, there is an entry for February 17, 1932, recounting a breakfast party held by Harada Kumao, where the conversation centered on the Shanghai Incident and the 19th Route Army. Present were Harada and Kido, Navy Minister Ōsumi Mineo, Miyakegawa of Mitsubishi Shōji and Yasukawa of Mitsui Bussan. Kido, who was the chief private secretary to the Lord Privy Seal from 1930 to 1936, recorded other entries where politicians and zaibatsu executives met informally over dinner to discuss national matters. Among the most frequent names to appear for the entries from 1931 to 1936 was "Ikeda."\footnote{\textsuperscript{185}} Aside from the personal connections, Mitsui and other zaibatsu had the connections to the political parties, and had representatives on the various advisory councils: for example, Makita was on the Advisory Council of the Interim Bureau for Industrial Rationalization; and Katō Takeo of Mitsubishi Electric (ex-Mitsubishi Bank), Noda Nobuo of Mitsubishi Gōshi, Ayukawa Yoshiuke, Mimura Kiichi of the Besshi Mine, and others were on the Committee on Production Management of the Provisional Industrial Rationalization Committee, which was created in June 1930 as an extra-ministerial organ of the Ministry of Commerce and Industry.\footnote{\textsuperscript{186}} Moreover, the zaibatsu dominated most of the cartels that were formed as a result of the Important Industries Control Law and other industry specific control laws to the extent that criticism sprang up that the cartels were propagating zaibatsu monopoly rather than rationalizing the economy.\footnote{\textsuperscript{187}} Ikeda stated in his memoir that,

Since Mitsui had gotten to be very big, and the Bank, Kōzan and Bussan were doing excellent, legitimate work, there was no need for us to receive favors from the government. Since all we wanted was a fair government, we were in a position of having no need to make special requests of the government.\footnote{\textsuperscript{188}}

This is consistent with the fact that it was a Minseitō Cabinet which approved the London Naval Treaty, which was not beneficial to Mitsubishi Shipbuilding, the
fact that Mitsui funded politicians from both the Seiyūkai and the Minseitō, and the rejection of Mitsui's appeal for government subsidies for Miike Dyestuffs by both Seiyūkai and Minseitō Cabinets. However, although there was no longer any need for the Meiji-type of official contracts, through formal or informal channels, Mitsui had close, direct connections with the government policy-makers.

However, it would be a mistake to label Ikeda or any other business leaders "liberal" simply because they supported the Banchōkai's manoeuvres to reinstate a party cabinet. Due to its interests in peacetime economy and its previous relationship with British and American companies, Mitsui was not particularly anxious for the nation to go to war, as discussed above. However, Ikeda was not adverse to cooperating with the military, even at the expense of the attempts to revive party cabinets, in order to expand operations and profits. Although Kita's ideology was hardly favorable to Mitsui or the zaibatsu in general, because there was a potential for Kita's followers to succeed in obtaining power, Ikeda financed him either to receive information or to support the winning side. Even within the military, Ikeda used a ryōmen sakusen principle, maintaining contacts with both of the major factions and the parties until an accurate forecast could be made. In the biography of Mitsui Hachiroemon Takamine, Ikeda is described as being a selfless man of great conviction, possessing a feel for the times and discernment befitting an executive of the new era (1930's). In the same passage, Ikeda is also contrasted with Yasukawa, who was "only concerned with making a profit." This portrait of Ikeda is clearly intended to show that Ikeda was 'liberal,' 'socially responsible' and naturally disposed to philanthropy. However, in light of Ikeda's conduct, especially in the political arena, the words "feel for the times" and "discernment" take on quite a different meaning. Ikeda certainly had a feel for the times, being forced to wear a bullet proof vest and having a bodyguard assigned to him from the time of the Dollar-Buying Scandal.
on. Also, his connections with Kita, Hiranuma, Konoe, Ugaki, and others, gave Ikeda insight into the external environment that Mitsui had to operate in, much more so than Yasukawa. Ikeda's willingness to sport patriotic colors also showed a 'feel for the times' and good discernment of the trends of the times, as did his repudiation of the ties to the political parties. In the end, Ikeda, the paladin of 'liberalism,' proved to be willing to discard the parties and the parliamentary political system itself, once he perceived that the risks outweighed the returns.

However, in actuality, by not continuing to support the groups which advocated foreign policies favorable to Mitsui's long-term self-interest, Ikeda's ryōmen sakusen paved the way for war. Because of his connections with the extremist groups, Ikeda was able to see too clearly the 'trends of the times.'

Flexibility, or the ability to reallocate resources quickly is usually seen as a virtue in business organization and management. However, in the case of Mitsui in 1932-36, (over) flexibility was the source of the problem. During the World War I boom, Mitsui (and Mitsubishi), refrained from adjusting completely to the conditions and trends of the times, and expanded at controlled rates. In comparison, Suzuki, Takada, Fujita and others expanded operations without consolidation or sufficient forecasting of the post-war trends, and eventually went bankrupt or were forced rationalize. Although the World War I external environment was hardly as complex for Mitsui in comparison to the atmosphere of the post-Manchurian Incident years, all the same, it is still significant that Mitsui's relatively conservative policies during World War I helped pave the way for its growth in the 1920's, while Ikeda's six policies, especially the kata-gawari and the ryōmen sakusen, in their flexible accomodation with the trends of the times, and in their success in meeting the same basic objectives as those set in the 1860's, paved the way for the collapse of the Mitsui holding company system during 1937-1940.
Notes for Chapter Two: The Shaping of the Reforms

1 See Ikeda, Zaikai, p. 186

2 Ikeda stated this in a number of different instances, in slightly varied form. See Matsushita, p. 323; Sugiyama, p. 161; Yasuoka, Mitsui Zaibatsu, p. 267; Russell, pp. 304-306; and Wada, Mitsui, pp. 326-327.

3 See Suzuki Mosaburō, Zaikaijin Hyōron, pp. 32-34, 35-36; and Arisawa, p. 171.

4 For press reactions to this announcement see Russell, p. 296. This money went to the formation of the Manshū Chūō Ginkō.

5 Matsumoto Hiroshi, Mitsui, pp. 242-254; and Yonekura Seiichirō, "Prototype of Enterprise Group Capitalism," p. 97.

6 Mitsui Hō-onkai held 200,000 of 1,000,000 shares in the Bank, and 50,000 of 300,000 shares of Mitsui Trust, Matsushita, Mitsui, pp. 36-38. For more details on the actual investments and accounts of the Hō-onkai, see Matsushita, Mitsui, pp. 314-320.

7 For a full list see Wada, Mitsui, pp. 322-347; also Matsushita, Mitsui, p. 314, 320-323, 326-327. One of the odder donations was an endowment to the University of Paris for an Institute of Japanese studies-see "Chronicle of Events," Contemporary Japan, 3, No. 2 (Sept. 1934), 327.

8 Russell, pp. 234-236.

9 Calculated from Wada, Mitsui, pp. 322-333.

10 See Russell, p. 278; and Marshall, pp. 98-100. In commenting on Noda Soy Sauce's policies toward its workers, Mark Fruin contrasts Meiji "cartel philanthropy" and 1920's "corporate paternalism," and concludes that "paternalism" was more calculating than "philanthropism." See Mark W. Fruin, Kikkoman: Company, Clan and Community (Cambridge, Mass.: Harvard University Press, 1983), pp. 86-88, 333, n. 28. However, whether or not the intent behind the policies were 'calculated' or 'sincere,' the policies themselves were essentially the same; thus, in terms of concrete results, there is little to distinguish between the two 'types' of philanthropy. The difference in perception by others was just as, if not more, important than the sincerity of the philanthropist.


15 Yasuoka, *Mitsui*, p. 267. Although it seems clear from the context that "sunao ni" means "graciously," interestingly, it can also mean "obediently."


17 *Mitsui Hachiroemon Takamine Den*, p. 477.

18 Ikeda *Zaikai*, p. 127.


21 John K. Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967), distinguishes these goals from profit maximization, but in terms of long-term profits, there is little to differentiate the various objectives.


30 Ibid., p. 128.

31 Ibid., pp. 127,187-188.


33 For details see for example Mitsui & Co., p. 120; Russell, pp. 300-301; and Miyake and Saitō, pp. 417-418.

34 Ikeda, Zaikai, pp. 128-129.

35 For details on the struggle over Kanebō see Sakamoto Fujiyoshi, pp. 262-264; and Togai, pp. 251-257.


39 Tōyō Rayon, pp. 367-368.

40 Satō Kiichirō, quoted in Nakagawa Keiichirō, ed., Keiei Tetsugaku, Keiei Rinen-Showa Ron (Management Philosophy-Management Ideology), Vol. 2 (Tokyo: Diamond Sha, 1969), p. 40. The Bussan sum of ¥60 million would seem to be a mistake or an outright exaggeration considering Bussan's investments into new companies, and the fact that Bussan's reserves as of 1931 amounted to ¥64 million and the total net profit for 1928-30 was ¥49 million. See Togai, pp. 145, 151.

41 Morikawa, Zaibatsu no Keieishi, pp. 160-222; and Morikawa, Business History of the Zaibatsu, pp. 231-319.

42 The case of the diversification into nitrogen production is a perfect example of how these factors shaped policy. Due to the exorbitant conditions attached to the sale of the Haber-Bosch method by IG Farben, Mitsui waited until the Suzuki firms were available, but because of Makita and Dan's dissatisfaction with the French Claude process, further research was conducted which led to the incorporation of Mlkie Chisso and Tōyō Kōatsu. Morikawa, Zaibatsu no Keieishi, pp. 168-175.

43 Ibid., pp. 192-193.

44 Tōyō Rayon Kaisha shi, p. 357.

45 Morikawa, Makita Denki Shiryō, pp. 300-314.

46 Ikeda, Zaikai, pp. 130, 162.


49 For details see for example Kasuga Yutaka, "Senji Taisei e no Utsuriyuki to Zaibatsu no Saihensei" (The Changes in Pre-War Economic Structure and the Reorganization of Zaibatsu), Mitsui Bunkō Ronsō, No. 21 (1987), pp. 247-354.

50 For the actual notices see Mitsui Bussan Sho Shi, pp. 110-111.

51 See the chronological list of executives in Tōyō Rayon, p. 386; and Tōyō Menka 40-nen shi (Tokyo: Tōyō Menka, 1960), pp. 449-450; also the loan records by company from Mitsui Ginkō Shiryō, Vol. 5, pp. 494-550. In other works, the
usual description is something to the effect of 'transferred to a minor subidiary.' See for example Roberts, p. 288; and Allen, "Japanese Industry," p. 642.


54 See for example Wada, Mitsui, p. 317; and Yasuoka, Mitsui, p. 266.


56 Wada, Mitsui, p. 317.

57 See Wada, pp. 318-320.

58 Imamura, pp. 250-251.

59 See Roberts, p. 300. Roberts appears to have misinterpreted Takakimi's reply somewhat.

60 Ikeda, Zaikai, p. 188.

61 For exact number of shares sold from each company see Matsumoto Hiroshi, Mitsui, pp. 246-255.

62 See for example a 1934 Ayukawa speech in Nakagawa Keiichirō, ed, Keiji Tetsugaku Keiei Rinen, pp. 193-210, especially 200; and Sakamoto Fujiyoshi, pp. 202, 246-256.

63 Aside from its unique origins, Riken was a bit of an exception in that its major stockholders were the old zaibatsu, such as Mitsui, Yasuda, Ōkura, Mitsubishi, Furukawa and Sumitomo, and executives from the old zaibatsu such as Dan. Many of the auditors and directors were also from the 'old' zaibatsu, such as Makita. See Saitō Satoshi, "The Formation of the Riken Industrial Group," Japanese Yearbook on Business History-1985, pp. 123-124.

64 For details of management and finance of the shinkō zaibatsu see, for example, Wada Hidekichi, Nissan Konzernu Tokuhon (Tokyo: Haruaki sha, 1937); Takahashi and Aoyama, Nihon Zaibatsu Ron, p. 31; on Noguchi Jun (Nitchitsu),
See Okochi Masatoshi (Riken), Mori Nobuteru (Mori) and Nakano Tomonori (Nisso), see Murai Misao, Hyakunin no Zaikaijin (Tokyo: Diamond sha, 1967), pp. 114-115, 126-127; 150-151, 164-165; Miyake Seiki, Shinkō Konzernu Tokuhon (Tokyo: Haruaki sha, 1937); Tamaki, pp. 368-448; on Nitchitsu, Tōyō Keizai Shinpō, No. 1456 (July 4, 1931), p. 44, No. 1477 (Nov. 18, 1931), pp. 1579-1581; "Riken Combine's Expansion Steady," Oriental Economist, 5, No. 7 (July 1938), 419-422.


66 Takahashi and Aoyama, Nihon Zaibatsu Ron, p. 208.

67 Ibid., pp. 198-199.

68 See Nakagawa Keiichirō, ed, Keiei Tetsugaku Keiei Rinen, p. 186; on Kishi and his connections in Manchuria see Johnson, pp. 129-132.

69 Wada, Mitsui, pp. 336-337; and Mitsui Hachiroemon Takamine Den, p. 478.

70 Calculated from Matsumoto Hiroshi, Mitsui, p. 279.

71 Mitsui Hachiroemon Takamine Den, pp. 486-487. It is extremely difficult keep track of the genealogy with the two-three names per individual, unusual kanji readings of names, and the two names per family branch. For some idea of the family genealogy trees, see Mochikabu Kaisha Seiri linkai, ed., Nihon Zaibatsu to Sono Kaitai, Vol. 2 (Tokyo: Mochikabu Kaisha Seiri linkai, 1950), Figures 9, 21-29; and the name readings in Vol. 1, p. 2.

72 See Yasuoka, Mitsui, p. 269. In Corwin Edwards, et al, Report of Mission on the Japanese Combines (A Report to the Department of State and the War Department) (Washington, D.C.: Dept. of State, March 1946), p. 28, the authors stress the fact that there were some loopholes in the taxes. Cited as an examples of a loophole was the fact that the inheritance tax favored the succession to the headship of the family rather than succession to the property of the family head. This "loophole" was a ¥5,000 deduction from the total taxable assets.


74 See Yasuoka, Mitsui, p. 271, 273; Sakamoto Masako, "Manshū Jihen igo no Mitsui Zaibatsu Kankei Keikigyō Kigyō Kinyū" (The Finance of the Mitsui Zaibatsu Enterprises after the Manchurian Incident), Hitotsubashi Ronso (The


Sugiyama Kazuo, "Showa Zenki no Mitsui Ginkō," pp. 221-222. These numbers are for current accounts with Mitsui Bank and do not include loans, deposits, etc., from Mitsui Trust, Bussan, Kōzan, or any other sources of loans or credit.

Takahashi and Aoyama Nihon Zaibatsu Ron, p. 151.


Onoda Cement 70-nen shi, pp. 53, 64, 67. However, Asano had a greater percentage of overall exports (34.8% of the total cement production exported; Onoda had 24.7% of the overall export total). Mitsubishi Shōji Sha shi, Vol. 1, p. 374.

Matsushita, Ōji Seishi, p. 311; and Narita, Ōji Seishi Jigyō shi, Vol. 3, p. 349.

Calculated from Wada, Mitsui, p. 358.


See for example Shibaura 65-nen shi, pp. 474-475; Tōyō Rayon, p. 87; Onoda Cement 70-nen shi, pp. 484-489; and Tōyō Menka, p. 441.

Morikawa, Zaibatsu no Keleshi, pp. 210-220; however, Morikawa has classified securities holdings as "fixed assets," which implies very strong assumptions about the state of the pre-war Japanese stock market. Although the
stock market was underdeveloped in comparison to the U. S., to classify shares as 'fixed' may be an overstatement. See also Sakamoto Masako, "Mitsui," pp. 88-93, 94-95; and Matsumoto Hiroshi, "Zhibatsu no Shihon," pp. 6, 31.

87 Calculated from Matsumoto Hiroshi, Mitsui, pp. 248-251, 264-265.


89 Matsumoto Hiroshi, Mitsui, pp. 245-246. However, Matsumoto does not take into account adequately the increased profits from the Gōmei subsidiaries, or the 'human factor;' among other things.


92 For example, in 1934, the largest sources of the non-Mitsui Bank loans were Mitsui Trust and Bussan, although banks and trust companies of other zaibatsu, especially Sumitomo, also provided loans for Mitsui Ginkō Shiryō, Vol. 5, pp. 491-531.


94 "Outside funds" denotes investment from other zaibatsu firms or business people. Thus, it is not an assertion that Japan's stock market in the 1930's operated like that of the U. S. or that there was a sudden demand from the public for investment opportunities into industrial securities.


96 Takahashi and Aoyama, Nihon Zhibatsu Ron, pp. 166-167.

97 Mitsui Hachiroemon Takamine Den, p. 486.

98 See for example Matsumoto Hiroshi, Mitsui, pp. 238-240; and Togai, pp. 152-163.

100 "Men, Yen and Machines," *Fortune*, 14, No. 3 (July 1936), 68.

101 Yamamoto Jōtarō, "A Five-Year Plan for Japan," *Contemporary Japan*, 1, No. 1 (June 1932), 45-51; and Masamichi Royama, p. 79.

102 For more details on Mitsui Bussan's activities in China see Togai, pp. 264-288; and Roberts, pp. 179-199.

103 For details see *Okura Zaibatsu no Kenkyū*, pp. 140-141. Also see Table IX.

104 Kusayanagi, p. 41.


107 I would like to emphasize the fact that if any category is general enough, all differences can be clumped under any one rubric. Therefore, acknowledging the significance of the variations within the boundaries of the rubric i.e. differences and similarities between Western and Japanese firms (and among the zaibatsu) under the general rubric of "long-term self-interest" is important to a more accurate understanding of history. If the logic of those who dismiss differences between zaibatsu and the military as completely insignificant is applied consistently, not just in a Marxist framework, since all Earth history started from one source, the Big Bang, it should be argued that all history, dinosaurs et al, is merely a string of 'jockeyings' for position, and therefore insignificant.


110 Chō Yukio, "From Showa Economic Crisis to the Military Economy," p. 595.


114 One in 1919, one in 1921, and three in 1922—see Mochikabu Kaisha Seiri linkai, Vol. 2, Figure 20.

115 Morikawa, Zaibatsu no Keieishi, p. 208.

116 Matsumoto Hiroshi, Mitsui, p. 279.

117 Ikeda, Zaikai, p. 130; and Imamura, p. 253.

118 For example, in one Mitsui Bank history, Ikeda is called "liberal" for his implementation of the kōkai. See Mitsui Ginkō 100-nen shi, p. 170.

119 Yonkeura's explanation. Since every single piece of data for the 1930's is drawn from Matsumoto Hiroshi's Mitsui Zaibatsu no Kenkyū, Yonkeura displays the same bias of simply assuming that because the statistical preconditions existed, inter-locking shareholding developed as a result—without addressing the issue of whether it was part of a strategy or a natural evolution, or who coordinated such a move. See "Prototype of Enterprise Group Capitalism."

120 Ikeda, Zaikai, pp. 186-187, 188.


122 The only concrete piece of evidence that I came across which indicated that Mitsui executives were aware of the buyers of the securities sold, was the agenda for a 1942 Mitsui Bussan shareholders meeting which listed among its topics the number of shares, timing, price, destination, conditions and reasons for a planned kōkai. See Matsumoto Hiroshi, Mitsui, pp. 363-364. However, since the agenda was dated nine years after the 1933 kōkai, and after the major reform of merging Gōmei into Bussan, it cannot be assumed that this agenda was based on an earlier one from 1932-36.

123 See Chapter III-2-B.


125 Ikeda Zaikai, pp. 120, 130.
See William D. Wray, "Senkanki ni Okeru Kigyō to Jishusei to Yū-Shō Teikei Mondai" (Company Autonomy and N.Y.K.-O.S.K. Cooperation in the Inter-War Years), *Keiei Shigaku*, 18, No. 2 (July 1983), 16-19. N.Y.K. had an unusually long history as a separate company especially by Mitsubishi standards, and a low percentage of Mitsubishi shareholdings, even by Mitsubishi standards (overall, Mitsubishi had a lower percentage of central shareholdings in its subsidiaries than Mitsui at the time) and Kagami was appointed president as late as 1929, which served to accentuate the differences in the N.Y.K.-Mitsubishi identity differences. Also see "Putting Up A Solid Front," *Japan Today and Tomorrow*, No. 5 (1931-32), pp. 34-36.


For details see Johnson, pp. 102-112. On Yoshino’s attitude toward party politicians and the Ministers he served under see Spaulding, "The Bureaucracy as a Political Force," pp. 53-54.


See Tiedemann, pp. 310-315. As cabinet ministers, Ikeda, Yūki, Tsuda, Ōgura, etc., worked as representatives private business, or as mediators between the military and the reform bureaucrats and the business sector, rather than as representatives of specific zaibatsu.

Kusayanagi, p. 99.

136 Tiedemann, pp. 293-294; and Berger, p. 100.


138 See Tiedemann, pp. 294-296.


140 Kusayanagi, p. 101.


143 Ikeda, Zaikai, p. 169.


145 Ikeda, Zaikai, pp. 176-177.

146 Imamura, p. 240.


148 Tiedemann, p. 314, n. 78.

149 See for example Imamura, pp. 245-247. Kuhara contributed money to specifically to support the uprising planned by the rebels of the 2-26 Incident,

150 The entire statement is presented in Shillony, *Revolt*, pp. 242-245. At one stage in his life, Kita apparently experimented with dietetics, for example drinking only sake for a week or rice only for week, etc, so he was not exactly staid either. See Kojima, *Ikeda Seihin*, pp. 206-207.

151 Ikeda, *Zaikai*, pp. 175, 176, 177-179.


153 Tiedemann, p. 300, n. 54.


156 Shillony, *Revolt*, pp. 146-149. However, in the initial reports of the declaration of the rebels received by the Chief Aide-de-Camp of the Emperor at the time, General Honjō Shigeru (the head of the Kwantung Army in 1931), the zaibatsu were purportedly included on the list of villains. See Honjō Shigeru, *Emperor Hirohito and His Chief Aide-De-Camp: The Honjō Diaries, 1933-1936*, trans. Hane Mikiso (Tokyo: Tokyo University Press, 1982), p. 208.


158 For details see Ino, pp. 228-231.


160 Or to put it in another way, a variation of the "portfolio theory" of financial economics as applied to politics. One principle of the portfolio theory is the profitability of diversification: in general, by holding a variety of assets (political connections), the risk of the 'portfolio' (Mitsui's) could be reduced, because if one asset happened to be performing badly, it could be that the others were doing well.
Matsuoka Yōsuke, "Dissolve the Political Parties," *Contemporary Japan*, 2, No. 4 (March 1934), p. 663. Matsuoka was the delegate to the League of Nations who walked out in 1933, and was the Foreign Minister in 1940-41.


See for example, Matsushita, *Mitsui*, p. 27.


See Itō, *Minomura*, p. 33. A visit to Hachiroemon in Kyoto by Saigō and Komatsu was reported by a long (life)-time clerk of Hachiroemon's in the fall of 1866.


See for example *Mitsui & Co.*, p. 22.

Yasuoka, *Mitsui (Meiji)*, p. 100.

Iwata, Ōkubo, pp. 109-110.

Corwin Edwards, p. 106; Matsushita, *Mitsui*, pp. 16-18. The italics are mine.

For a complete list of all the official business received by Mitsui, see Yasuoka, *Mitsui Zaibatsu*, p. 68.


See Matsushita, *Mitsui*, pp. 74-75.

For details see Ino, pp. 47-63.

The section on Hayakawa is based on Seoka Makoto, "Hayakawa Senkichirō no Rinen to Kōdō" (The Ideology and Activities), in *Zaibatsu no Hikakuteki Kenkyō* (Comparative Studies of Zaibatsu [Big Business]), ed. Yasuoka Shigeaki (Tokyo: Minerva Shobō, 1985), pp. 124-147; and Hirschmeier and Yui, pp. 218-219.

Shillony, *Revolt*, p. 83.


Ikeda, *Zaikai*, p. 185. Also, according to *Mitsui Bank: A History of the First 100 Years*, p. 56, Mitsui Bank learned after the 1890 run that "it must strive to be as neutral as possible in political matters."


Kidō Kōichi, pp. 16, 17, 38, 40, 55, 129.


188 Ikeda, Zaikai, p. 184; also Imamura, pp. 210-211.

189 As is done in Scalapino, pp. 270-272.

190 Mitsui Hachiroemon Takamine Den, p. 483.
Although Mitsui's tenkō is often referred to as "zaibatsu tenkō," most of the zaibatsu did not undergo reforms on Mitsui's scale during 1932-36, at least not as attempts to deflect the discontent and violence from civilians extremists, the military or the general populace. However, most zaibatsu did undertake reforms in the first half of the 1930's, but due in most part to internal business problems, rather than from the convergence of external pressures.

(A) Mitsubishi

The one exception was Mitsubishi, which was the second most vilified zaibatsu; naturally, it was also the closest to matching Mitsui in the number of changes and social welfare donations. Mitsubishi, like Mitsui, had expanded at a tremendous rate during the Meiji period from its acquisition of government factories. In addition, Mitsubishi had developed a reputation as a seishō during the Meiji period, much more so than Mitsui because of the more public nature of the shipping subsidies. Mitsubishi also had connections to political notables such as Ōkuma, Katō Takaaki, Inukai, and Shidehara, creating a perception that Mitsubishi had 'bought' the Minseitō as Mitsui had done with the Seiyūkai. During the Taisho and early Showa period, like Mitsui, Mitsubishi continued to diversify and grow, and in fact, was making up ground on Mitsui in trade and in overall revenues. Nevertheless, in absolute terms, Mitsubishi was still much smaller than Mitsui (See Chapter I-2-D). Moreover, Mitsubishi had problems with unbalanced growth, which
was aggravated by the Depression, where certain sectors, such as airplane construction, electro-chemicals, and finance (banking, insurance, and trust) were growing while Shōji, Kōgyō and Shipbuilding were experiencing difficulties maintaining stable growth and profits. Mitsubishi Shipbuilding (Zōsen) experienced long-term decline from 1921-22, and the London Naval Agreement was not favorable for Mitsubishi Shipbuilding or the shipbuilding industry as a whole. One reflection of the downward trend for Shipbuilding was the systematic lay-offs of its employees. These cutbacks contributed significantly to Shipbuilding's recovery in the post-Manchurian Incident increase in naval orders, but at the time, they caused the biggest strike in the inter-war period: in 1921, troops had to be brought in to stop a strike by 35,000 workers at Mitsubishi Shipbuilding's Nagasaki Shipyard. Additionally, because of its short history compared to Mitsui Bussan, Mitsubishi Shōji had not had the same opportunities or incentives to reform its management structure, thus it was not able to handle the Depression as well as Mitsui Bussan. Furthermore, a higher percentage of Mitsubishi's subsidiaries were in heavy and munitions industries; this meant that the expansion of the heavy, chemical and munitions industries market caused by the military, was more important in expediting the overall recovery of the Mitsubishi zaibatsu. In Mitsubishi's case, the reforms to the managerial structure were constant, the last reform prior to the Mitsui tenkō occurring in December 1931. This was because the owner was still given dominant position in the structure of the decision-making process. Fortunately for Mitsubishi, Iwasaki Koyata was an extremely capable man. Although the substance of the cooperative relationship between the executives and Koyata did not change, the development of a formal managerial hierarchy to handle the diversified enterprises was still emerging, in contrast to Mitsui, which essentially changed the individuals occupying the positions rather than the structure of the hierarchy itself. In short, despite its growth
in the 1920's, during the Showa Depression and before the post-Mukden recovery, Mitsubishi had more internal incentives for reform than Mitsui.

Although Inoue Junnosuke was Iwasaki Koyata's brother-in-law, Inoue was not assassinated on this count. Dan's assassination was rightly perceived as an attack on the zaibatsu as a whole. Moreover, the names of Iwasaki Koyata, Kagami Kenkichi and Kimura Kusayata had been on the Ketsumeidan hit list. In the May 15 Incident, the Mitsubishi Bank's Tokyo head office was attacked along with the Seiyūkai head office, an incident which served to reemphasize the fact that both Mitsui and Mitsubishi had been selected as the primary scapegoats.

Following Mitsui's lead, Iwasaki Koyata undertook a 'conversion' of sorts as well. Mitsubishi was able to equal Mitsui's ¥10 million loan to Manchukuo. In Aug. 1932, Iwasaki Koyata set up an Emergency Executive Council (yet another reform of its management organization), donated ¥3 million to the Shakai Jigyō Dantai (the Social Welfare Organization), and established the Mitsubishi Keizai Kenkyūjo, which was open to non-Mitsubishi people. However, Mitsubishi was not as generous as Mitsui in donating to social welfare projects. Over the same four-year period which saw Mitsui contribute ¥60 million, Mitsubishi put in ¥15-17 million. Of course, Mitsui was a much larger zaibatsu, with greater capital resources: but the ¥60 million was estimated to be about Mitsui Gōmei's revenues for two years. However, in Mitsubishi's case, Mitsubishi Gōshi's revenues over the same period were also ¥15-17 million. Thus, the ratio of donations to income was much higher for Mitsui. In Feb.-March of 1934, a "Mitsubishi Seishin Kōryō" (A General Plan for the Mitsubishi Spirit) pamphlet was published. In it was outlined the Mitsubishi plans for the immediate future. One was to amalgamate Mitsubishi Shipbuilding with Mitsubishi Airplane, and offer the shares for sale. Another was to make shares from various other companies available to the public. A third policy was to refrain from buying into more companies. Policy four was a rationalization of Mitsubishi
Gōshi's corporate structure in terms of shareholdings, and five, a promise by the Iwasaki family to withdraw from the directorships of all other companies other than Gōshi. In June 1934, Mitsubishi Shōji, like Mitsui Bussan, announced that it would not pursue unnecessary competition with small merchants, and that it had set up a standards committee for the selection of items that Shōji would deal in. In Aug. 1934, 640,000 shares of the newly incorporated Mitsubishi Heavy Industries (Jūkōgyō) were sold to the public. After its incorporation in April 1934 and prior to the kōkai, Heavy Industries had 23 shareholders. After the stock kōkai, there were 16,036 shareholders by the end of 1934.

Since 27.0% and 7.6% of its paid-up capital was in heavy and chemical industries respectively in the first half of 1937, and an estimated 45.0% of the paid-up capital of its direct companies and 65.9% the ordinary subsidiaries' were allocated to munitions-related industries, Mitsubishi benefitted from the post-Manchurian Incident boom. During 1932-36, Mitsubishi Heavy Industries accounted for 15.4% of total dividends, Kōgyō-28.8%, Electric (Denki)-5.4%, and the Bank-22.0%. The overall growth, in turn, multiplied the demand for capital. There were several increases in authorized and paid-up capital from the growth of munitions, heavy and chemical industries. The Mitsubishi Steel (Seikō) received contracts to supply metals for tanks, guns, ships and airplanes, and raised its capital from ¥400,000 to ¥1 million in Feb. 1933. Mitsubishi Shōji's transaction volume and profits from oil, machinery, steel and trade in other metals grew rapidly. As a result of the less diversified nature of its subsidiaries and Koyata's initiative, Mitsubishi moved into some new fields such as oil and chemicals to supplement their heavy industries base. Mitsubishi Oil, a joint-venture with the American firm of Tidewater Co., conducted its first capital increase by ¥2 million in 1933, and a ¥3 million increase in 1937, and chemicals, while the Nippon Tar Company was established in 1934. Also, like Mitsui, Mitsubishi Shōji and most
other Mitsubishi subsidiaries increased the liquid position of their assets following 1934.\textsuperscript{15}

In the kōkai of the Mitsubishi enterprises, there was some resemblance to Mitsui's systematic kata-gawari. The best example of ownership retention was the redistribution of the 38,600 shares out of the total 40,000 shares of Mitsubishi Seikō which were held by Mitsubishi Iron (Seitetsu), which joined Nippon Seitetsu in 1935. A transfer of shares occurred in March 1935, and the number of shareholders increased from 11 to 93. The redistribution resulted in Gōshi with 12,650 shares, Heavy Industries-10,000, Denki-5,000, Kōgyō-7,500, and Shōji-2,500.\textsuperscript{16} However, this was not a kōkai: the stocks were not sold or transferred on the stock market. The four actual kōkai conducted by Mitsubishi up to the second half of 1937 (Kōgyō-1920, Bank-1929, Heavy Industries and Mitsubishi Electric), actually displayed some horizontal redistribution of shares to direct subsidiaries, but nothing comparable to that at Mitsui. One indication of the more 'public' nature of Mitsubishi’s kōkai was the fact that the Mitsubishi control the share of its direct companies dropped from 69.36\% to 59.20\% between 1928 and 1937.\textsuperscript{17} Two factors which contributed to the proportionally larger influx of outside capital into Mitsubishi was that compared to Mitsui, Mitsubishi’s sources of revenues for the holding company were less diverse, and the impact of the Showa Depression was greater. Another difference between Mitsui and Mitsubishi was that the Mitsubishi kōkai was not as across-the board, and that the shares of the chokkei (direct) companies were sold as opposed to those of the bōkei (ordinary) subsidiaries, whereas Mitsui sold shares of its bōkei companies while keeping the chokkei subsidiaries free of outside capital until 1938-39. An example of the difference in the approaches was the fact that Shibaura, a bōkei company, had 215 shareholders in 1929, and by the end of 1934, the number had increased only to 265, since the majority of the shares were simply traded to Tokyo Dentō in return
for Tokyo Dentō shares. In contrast, Mitsubishi Electric, a direct subsidiary, had 13 shareholders in 1936, and after the kōkai, 3,452. Gōshi took on the shares previously held by Shipbuilding and Shōji, but the overall number of shares held by Mitsubishi fell from 263,000 to 259,660.

In the Kōgyō and Heavy Industry kōkai, there was more evidence of a kata-gawari. Shares were sold to other zaibatsu banks, insurance companies, and Mitsubishi employees, as indicated by the decline in total Mitsubishi ownership and the increase in the number of shareholders, but there was also an increase in the holdings of Meiji Seimei (Meiji Life Insurance Co.), and the other Mitsubishi insurance companies, in both Kōgyō and Heavy Industries. The 1919 Mitsubishi Kōgyō kōkai saw an increase in the holdings of the Mitsubishi Bank, which in turn, began transferring the shares to other Mitsubishi affiliates around 1926, mostly to Meiji Seimei, but some to Shōji and Shipbuilding. However, though the Kōgyō kōkai predated Mitsui's kata-gawari, first, this transfer of shares to Meiji Seimei and other companies was not done through a series of kōkai, but instead were transferred to Meiji and Shōji over a period of ten years (the Heavy Industries kōkai resulted in a less gradual buildup of Meiji Seimei shares but it occurred after Mitsui tenkō kōkai was well under way). Secondly, aside from the case of Meiji Seimei, there was no systematic or consistent reallocation of securities holdings to specific companies. Thirdly, though Meiji increased its shareholdings in Kōgyō and Heavy Industries, Meiji Seimei itself was a bōkei subsidiary of which Mitsubishi controlled only 42.1% of the shares, which would decrease its effectiveness as a sub-holding company. Fourthly, because of the comparative infrequency of the Mitsubishi sales of shares, the liquidity of the Mitsubishi shares, and therefore, the liquid position of the Mitsubishi subsidiaries, were not increased as much as for the Mitsui companies. And fifthly, the public relations effect was muted by the intermissions between the four kōkai prior to the second half of 1937. Certainly, the
1919 small-scale kata-gawari in Kōgyō shares set a precedent, but there was not the same scale of horizontal dispersion of financial control as was the case with Mitsui.²²

The Mitsubishi 'tenkō,' like its Mitsui counterpart, was somewhat deceptive. After the highly publicized sale of the Heavy Industries shares, there were no more shares placed on sale until February 1937 kōkai of Denki. There were no indications that the changes at the executive level (e.g. Kushida taking over Kimura's post in Feb. 1935, Hamada Ichio replacing Miyakegawa in 1936, Takeda Hideo retiring from Shipbuilding in 1936) were a part of a public relations campaign. The constant adjustments to its management structure did not hide the fact that Iwasaki Koyata did not resign from his positions as executive director of Mining, Heavy Industries, Warehouse, Trust, and Bank, among other subsidiaries, as he had promised.²³

In spite of the fact that Mitsubishi did not follow its stated course of reform, it still received less criticism than Mitsui. Part of the reason why Mitsubishi was not as vigorously attacked was that it was smaller, less diversified than Mitsui, and its trading company was not as powerful as Mitsui Bussan. Furthermore, its executives were far lower in profile, as Mitsubishi decision-making still centered around the head Iwasaki. Since Koyata was especially capable, and the organizational structure favored the owner's input the managerial decisions were more concentrated in Koyata's hands. For instance, Kushida Manzō, head of Mitsubishi Bank at the time of the Dollar-buying Scandal, hardly came under any criticism from the press, and did not even make Inoue Nisshō's hit list as a Mitsubishi representative, while the higher profile Ikeda was forced to wear bulletproof vests and had guards assigned to him.²⁴ In contrast to Mitsui and Sumitomo, Mitsubishi did not place the names of its executives in the newspaper advertising for its companies.²⁵ The general perception was that the Mitsubishi
executives were far less powerful than those at Mitsui. For example, Kawada Jun, an executive director-poet at Sumitomo Gōshi until his resignation in 1936 (also Ogura's heir apparent at Sumitomo until then), recalled one conversation where in comparing Mitsui and Mitsubishi, another person remarked that Kimura Kusayata was merely the messenger boy for Iwasaki Koyata. In a newspaper profile on Miyakegawa Momotarō, president (head executive) of Mitsubishi Shōji, described him as being "different from the usual Mitsubishi type, rather, the impression is that he came from Mitsui Bussan." These words seem to imply that Miyakegawa, a Hitotsubashi graduate, was more commercially oriented than what was generally expected of Mitsubishi. Whatever the actuality, a popular adage at the time was, "Mitsubishi of the sea, Sumitomo of the mountains," and presumably, Mitsui of trade and commerce.

Furthermore, the fact that Mitsubishi was investing heavily into technology for armaments production and synthetic oil production research was praised by the press as being patriotic. In fact, by 1936, Mitsubishi was receiving the highest number of munitions contracts, followed by Sumitomo and Kawasaki, while Mitsui was seventh in this category (see Chapter II-2-B). More importantly, unlike Mitsui, Mitsubishi had broken off from under the Meiji government's wings in 1881 when their patron, Ōkuma Shigenobu, resigned from the government and formed the Kaishintō, as opposed to Mitsui, which made no attempt to gain managerial autonomy until 1890-91. Although Mitsubishi had political connections, in an attempt to peel away the seishō label, in 1920, Iwasaki Koyata publicly expounded on his three principles in business: 1) the national interest always came first, and Mitsubishi and Iwasaki interests a distant second and third; 2) high profits were meaningless unless they were derived by pure methods and motivations; 3) private businessmen should not rely on government support (nor should meddling by government officials in internal Mitsubishi matters be encouraged). Considering
that by the mid-20's, the Minseitō was popularly thought to be 'owned' by Mitsubishi, the effectiveness of such declarations was questionable. But the important point here was that Mitsubishi made an effort to disassociate itself from the image of the political merchant and associate itself with nationalism from a much earlier time than Mitsui, which made no effort to alter its pre-eminent, high-profile position in the financial world. Between 1923 and 1929, Mitsui donated ¥7,970,000 to philanthropic projects. In the same seven years, Mitsubishi donated ¥9,861,000. Considering that Mitsubishi's net profits averaged about 35% of Gōmei's during those years, the difference was nearly astronomical. The difference in the timing of the donations was also important, in that by donating more during the 1920's, rather than in the 1930's, Mitsubishi could claim a better history of social responsibility to counter accusations that it was merely trying to buy its way out of its past sins, or that it was merely following the trends of the times. Also worth noting is the fact that while Yūki Toyotarō (who left Yasuda in 1929), Ōgura Masatsune of Sumitomo, and Ikeda were members of the pseudo-ultranationalistic group, the Kokuhonsha (founded in 1924), not one Iwasaki or Mitsubishi executive belonged to it. During the Feb. 26 Incident, in contrast to Ikeda and most other top zaibatsu officials who went into hiding, Koyata made the effort to come into the Mitsubishi Tokyo Marunouchi head office to personally oversee matters through the crisis.

(B) Yasuda

With the Yasuda zaibatsu, even though there were some instances of government support in early Meiji from relatively early on, Yasuda Zenjirō began to distance himself from the government. Yasuda did not buy any government pilot factories or mines during the Matsukata deflation. Yasuda Zenjirō reputedly rejected Ōkuma's request for a ¥50,000 loan for lack of collateral. Also, when
Katsura asked Yasuda for a donation of ¥1 million to the Saiseikai, a social reform society, hinting at a possible baronhood, Yasuda put in only ¥300,000, and did not become a baron.\textsuperscript{32} In addition, Zenjirō made little attempt to hide his dislike of the bureaucrats. Although Yasuda was commonly regarded as a wealthy miser, Yasuda also contributed to his own social welfare projects from the late-Meiji period to his death in 1921, a policy which was continued by his heirs.\textsuperscript{33} According to Zenjirō's grandson, Yasuda Zenjirō did not give money to those who requested it because of his philosophy on donations, which was, "A donation should come from one's own heart—not because someone else pushed you into it."\textsuperscript{34} Furthermore, the relatively low number of direct subsidiaries contributed to Yasuda's lower profile outside of the banking fields. Although, Zenjirō considered his friend Asano Sōichirō almost as one of his banto, the fact remains that the "Cement King" retained managerial control of his companies, and used the Asano name, so Yasuda's profile was not increased.

Takahashi Korekiyo was a personal friend of the Yasuda clan, and served as an advisor to the concern. Takahashi recommended individuals, such as Mori Kōzō and Yūki Toyota-tō—both key Yasuda figures in the late 20's-early 30's, to Yasuda executive positions, playing a role somewhat similar to that of Inoue Kaoru with Mitsui. As Takahashi was also a member of the Seiyūkai, Yasuda was seen as being in the Seiyūkai-Mitsui political camp. However, no major backlash arose from this connection. Commentators observed the rise of Yūki through the political arena as an extension of Yasuda's political influence. However, Yūki had left by Yasuda in April 1929, due to conflicts with the Yasuda clansmen; therefore, Yūki was not necessarily a Yasuda representative. At Yūki's appointment as Finance Minister in the 1937 Hayashi Cabinet, Mori Kōzō issued a warm endorsement of Yūki as a representative of the "financial world," which is an accurate label for Yūki by then. Yasuda was similar to Mitsui in the relatively high numbers of family
members on the board of directors of the holding company (four owners, three salaried executives at Hōzensha, as opposed to three family heads and six executives at Mitsui Gōmei), but did not have to retire any family members.

Yūki's resignation resulted from internal reforms which had been pushed through while he was travelling in Europe and the U. S. Similar to Nakamigawa, Yūki had alienated other executives and the owner-family by the pace of reforms and his increasingly autocratic management style. The reforms were intended to filter the power down into a more cooperative relationship between the executives and family. This was not necessarily a move back to owner management as contemporary observers concluded. Yūki's successors pushed ahead with reforms, but were more diplomatic in their handling of the Yasuda clan. According to one observer, Mori Kōzō was against connections with the government due to his experiences at the Bank of Taiwan, and although Shijō Takahide had been the vice-minister of commerce and industry until 1929, and Yoshino Shinji's senpai (a senior), after transferring to Yasuda in 1929, no active exploitation of the connection to the bureaucracy was undertaken. The personnel changes in the early 30's were the result of natural deaths of executives (Shijō in 1931, Takeuchi Teimitsū in 1933), the voluntary retirement of Yasuda clan members from old age, and the death of the Yasuda Zenjirō II in October 1936, and not from a move to purge 'old' executives.

Although Zenjirō was criticized during the expansion and takeover of numerous smaller banks as a "Banking Devil," in the 1930's, Yasuda was not exposed to any of the pressure that Mitsui and Mitsubishi received. Yasuda did not conduct a kokai or a kata-gawari, nor did Yasuda expand into heavy or chemical industries. Yasuda remained remarkably clear of the Dollar-Buying Scandal simply due to the fact that the Yasuda Bank did not buy any noticeable amount of dollars. As of the first half of 1937, only 1.2% of its paid-up capital was in heavy
industries, and another 1.0% in chemical industries. In fact, the number of shareholders in the Yasuda Bank decreased from 14,509 in 1928 to 12,746 by 1936. Moreover, the percentage of paid-up controlled by Yasuda interests for direct subsidiaries increased from 48.0% in 1928 to 59.3% in 1937, while the percentage for the ordinary subsidiaries barely dropped from 39.00% to 38.27%. However, Yasuda did benefit from the improved performance of the Asano enterprises as it had close financial links with Asano through loans and shareholdings. Also, Yasuda did have investments in Manchuria, such as having 1.4% of S.M.R. shares which made it the largest private shareholder of the company, and in 1933, helped establish the Manshū Denshin Denwa (Manchurian Electrical Wire and Telephones), a joint-venture between Yasuda Seimei (8,000 shares out of a total of 120,000), Japan Seimei (Yamaguchi)-(7,000), Nichishin Seimei (Kawasaki)-(8,000), and Meiji Seimei (5,000). However, aside from the above there was no large increases in investments into Manchuria or heavy industries before 1937.

Thus, the specialization, lack of contact with scandal, and the minimal involvement with the government and political scene during its history were instrumental in limiting Yasuda's growth during the 1930's, but also in enabling it to avoid the external pressures which induced the Big Two to conduct a tenkō.
(C) The Mid-Sized Zaibatsu

Table XII-The Net Profits of Five Mid-Sized Zaibatsu Holding Companies in Comparison with Mitsui Gōmei (Unit: ¥1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui</th>
<th>Furukawa</th>
<th>Asano</th>
<th>Okura</th>
<th>Yamaguchi</th>
<th>Kawasaki</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>22,142</td>
<td>-864</td>
<td>-1,530</td>
<td>1,786</td>
<td>1,043</td>
<td>1,933</td>
</tr>
<tr>
<td>1928</td>
<td>22,664</td>
<td>-142</td>
<td>-</td>
<td>1,742</td>
<td>1,013</td>
<td>-1,398</td>
</tr>
<tr>
<td>1929</td>
<td>22,787</td>
<td>108</td>
<td>232</td>
<td>1,026</td>
<td>1,211</td>
<td>-9</td>
</tr>
<tr>
<td>1930</td>
<td>18,052</td>
<td>-338</td>
<td>-</td>
<td>2</td>
<td>777</td>
<td>-416</td>
</tr>
<tr>
<td>1931</td>
<td>14,890</td>
<td>-1,303</td>
<td>-</td>
<td>551</td>
<td>665</td>
<td>-2,880</td>
</tr>
<tr>
<td>1932</td>
<td>12,681</td>
<td>-</td>
<td>-</td>
<td>987</td>
<td>1,616</td>
<td>-170</td>
</tr>
</tbody>
</table>

Source: Calculated from Takeda Haruhito, “Dai Ichiji Taisen go no Furukawa Zaibatsu” (The Furukawa Zaibatsu After W. W. I), Keiei Shigaku, 15, No. 2 (August 1980), 45; Kohayagawa Yōichi, "Asano Zaibatsu no Takakuka to Keiei Soshiki" (Strategy and Structure of the Asano Zaibatsu), Keiei Shigaku, 16, No. 1 (April 1981), 59; Mishima Yasuo, Hanshin Zaibatsu (Tokyo: Nihon Keizai Shinbun, 1984), pp. 322-326, 413; and Nakamura Seishi, "Taisho-Showa Shoki no Ōkura Zaibatsu" (The Ōkura Zaibatsu in Taisho and Early Showa Japan), Keiei Shigaku, 15, No. 3 (December 1980), 65.

What the Meiji Restoration was to Mitsui, the Manchurian Incident was to the new zaibatsu, and the mid-sized sangyō zaibatsu, such as Asano, Furukawa, Ōkura and Nezu. Ayukawa, Asano, Furukawa, Ōkura and Kawasaki all suffered severe cuts in their revenues during the Showa Depression. In the case of Asano, the 1930 death of its founder, Asano Sōichirō, augmented the effects of the problems arising from the Depression. Although keeping in mind that Kawasaki and Yamaguchi had a comparatively larger portion of its assets held by the individual family head rather than the holding company, Table XII indicates the differences in the business performances of five of the mid-sized zaibatsu holding companies as compared to Mitsui. When the military expansion created a rapid growth in the munitions and heavy industries, and the price of shares rose during after the reimposition of the gold embargo, the mid-size zaibatsu slowed their
decline. Asano and Ōkura were able to revive their Meiji use of government consumption to facilitate growth in the post-1933 period.

The main point of contrast with Mitsui was the fact that Mitsui's reforms of 1932-36, though shaped and guided by internal trends and factors, were caused primarily by external pressures, whereas the majority of the changes in corporate structure and management undertaken by the mid-sized zaibatsu from 1927-1936 were the products of negative internal, or natural causes. For example, the trend for the Kōnoike family to withdraw from business affairs which had started at least since 1921, was culminated in 1933 when the Kōnoike clan retired from direct management positions in 1933 due to the formation of the Sanwa Bank from the 1933 merger of the Kōnoike Bank with the 34th and the Yamaguchi Banks, not from pressure for them to resign from the military or the public.45 The reorganization of the overall structure of Furukawa Gōmei and Furukawa Kōgyō and the retirement of several executives in August 1931, were reforms to counter the effects of the Depression, the closure of the Furukawa Bank, and natural disasters at its mines, as was the merger of Furukawa Gōmei and Kōgyō in 1933.46 The two principal Kawasaki family members withdrew altogether from the holding company, Kawasaki Sōhonten (Kawasaki Head Office), in 1927, most likely from the consecutive years of huge losses and the bankruptcy of Kawasaki Shipbuilding in the same year.47 However, in 1933-34, there was an increase in the power of the owner family. No particular reason was given for this move, but it was certainly not to counter any public outrage at Kawasaki executives. The death of one of the main executives of Yamaguchi Gōshi forced the reallocation of managerial responsibilities at Yamaguchi during 1931-34.48

It is unclear whether the military made distinctions between the 'old' mid-sized zaibatsu and the new zaibatsu. After Dan's assassination, Furukawa and other mid-sized zaibatsu were busy explaining that they were not really zaibatsu.
However, one unidentified civilian extremist was reported to have stated, "Even if [we] attack the big zaibatsu, they will not fall so easily, and furthermore, they play a very large role in the society. But this is not so with the mid and small-sized zaibatsu...they are not necessary to the nation..." Nevertheless, Furukawa Ichibei's old nickname as the "Ogre of Mining" from the Ashio Copper Mine pollution scandal of 1907 notwithstanding, there seems to have been few direct attacks on the mid-sized zaibatsu.

Aside from the financial weakness and the low-profile of the mid-sized zaibatsu relative to Mitsui, the fact that the anti-zaibatsu sectors did not perceive most of the mid-sized zaibatsu as being politically active allowed them to escape the hit-lists of extremist groups. In the Meiji period, most mid-sized zaibatsu, like Mitsui and Mitsubishi, used government contracts and the purchase of government pilot projects as the springboard for their development. During the Bakumatsu-Meiji Restoration period, Kōnoike also cooperated with the Loyalists, but not with the same degree of enthusiasm as Mitsui. This was due to the fact that more of Kōnoike's assets were tied-up in long-term investments; thus, its liquid position was weaker than that of Mitsui. Also, since its investments were safe, Kōnoike's reluctance to wholeheartedly support the Loyalists was augmented. According to Kawada Jun, even in the 1930's, the general populace of Tokyo, when asked to name the wealthiest family in Osaka, would say "Kōnoike," rather than "Sumitomo." However, since Kōnoike failed to adapt to the new external environment ushered in by the Restoration (mainly because it did not have a capable obantō like Minomura) and did not receive extensive governmental support or official business in the Meiji era, it was not seen as a seishō. Nomura Tokuhichi consciously shunned seishō-type activity in spite of the fact that he modelled his enterprises after Mitsui. Asano Sōichirō's acquisition of the government pilot cement factory and the brick factory through his ties to Shibusawa...
Eiichi, who in turn, had close connections with the government, was essential to his success. The government also provided Asano with a guaranteed market by buying most of Asano Cement's output for its railway program and for other public projects. However, considering that most merchants who were operating in the Meiji period were dependent on government contracts for expansion, Asano's relationship was not unusual: if anything, Asano was less of a seishō than Mitsubishi or Mitsui in that Asano Sōichirō did not continue to receive government contracts, and had no direct ties to political figures. The foundation for Kawasaki's development, like Asano's, originated from the acquisition of a government pilot project. The founder of the zaibatsu, Kawasaki Shōzō, bought the Hyōgo Shipyard from the government, and subsidies and connections with officials played a strategically central role in Kawasaki's success in the Meiji period. In the 30's, Kawasaki had connections to the Banchōkai through their marriage links with Gō, and from the fact that their top non-Kawasaki executive, Kawashō Tetsuji, was a kobun of Gō. However, Kawasaki was not linked to the Banchōkai movement to reinstate party cabinets, or any other political activity.

Furukawa and Ōkura were different than the other mid-sized zaibatsu in the public relations and political aspect. Though Furukawa did acquire two mines from the government during the Matsukata sales, Furukawa's base was the Ashio copper mine, which was not bought from the government. However, Furukawa's ties to Hara placed its name in the political limelight. Nakajima Kumakichi, who replaced Hara at Furukawa, was another Mutsu kobun and a prominent member of the Banchōkai. Furthermore, Nakajima was active in political circles, and the Minister of Commerce and Industry from 1932-34. From this it appears that Furukawa was as politically active as Mitsui or Mitsubishi. However, by 1930, Nakajima's relationship to Furukawa was even weaker than the Yūki-Yasuda case. After Hara's withdrawal from Furukawa affairs in 1913, and Inoue Kaoru's death in
1915, Nakajima's position within Furukawa was considerably weakened. Nakajima seems to have been increasingly excluded from the central decision-making process, as indicated by the fact that although nominally the president of Furukawa Electric, he had little input into its reorganization as Fuji Electric, which was instead conducted by the executive-director and Furukawa family member, Nakagawa Suekichi. Nakajima left Furukawa after he was replaced by Nakagawa as the president of Fuji Electric in 1924. Thus, the widespread assumption that Nakajima was propagating Furukawa influence in politics was an inaccurate, simplistic picture of Nakajima's political activities after 1924. To counter this common perception, Furukawa had to emphasize its comparative lack of size and non-involvement in previous scandals. Furukawa's lack of success during the 20's and 1931-32 also helped it avoid censure.

With Ōkura, at the time of the Meiji Restoration, Ōkura Kihachirō sold arms to both the Loyalists and the bakufu. The ryōmen sakusen of this "Merchant of Death" was somewhat different from Mitsui's in this period in that Ōkura Kihachirō was merely selling to whoever had money to pay for the goods, rather than actually supporting both sides. Ōkura made profits from the Taiwan Expedition, the Satsuma Rebellion, and the Sino-Japanese War, as did Mitsui and Mitsubishi, but was even more reliant on the government, as the government had to decide to go to war before Ōkura could make a big profit. During the Russo-Japanese War, Ōkura generated bad publicity from charges that it supplied the Army with inferior foods, boots and uniforms.

In order to counteract the negative exposure, Ōkura began contributing to social welfare causes and pioneered the establishment of commercial schools in Japan. On top of that, Ōkura increased its investments in relatively risky colonial ventures, partly as a display of its nationalism. These moves were couched in the appropriately selfless terms such as, "returning the society's on " for the
donation to philanthropic projects, and "making all of Asia prosperous" for the
investments into China, Manchuria, and the other colonies. Okura's activities
and developmental history left it more vulnerable to criticism than the other mid-
sized zaibatsu; thus its ¥1 million donation toward the formation of the Keiseikai,
and the other measures, were intended to mute Okura's image as a war merchant,
and more motivated by public-relations considerations than the activities of most
other mid-sized zaibatsu.

Coupled with the fact that the heavy industry and mining orientated
companies expanded their operations rapidly, it appears highly unlikely that the
stock kōkai by some of these companies were part of a reform in public relations or
business ideology. For one thing, Asano, Okura, others already had some of the
shares of their subsidiaries out on the stock market. Furthermore, Asano,
Yamaguchi, and Kawasaki did not hold a high percentage of the shares in their
subsidiaries to begin with. For example, in Asano Cement, Asano's 'flagship'
subsidiary in terms of performance and market share, Asano Dōzoku (Asano
Family Partnership) was the largest shareholder with only 28%, while another 0.7%
was held by Shiraishi Dōzoku, a company representing Shiraishi Motojirō, the
head executive of Asano Dōzoku. Yamaguchi Gōshi did not attempt to operate
on the basis of exclusive family ownership, and actually limited its ownership of the
subsidiaries to 10 to 50%. Asano sold shares from its Kokura steel company and
some of its other subsidiaries on the stock market, but the shares dropped relative
to the increase in market prices. Despite this, Asano was still managed to
increase its total capitalization. As many of the mid-sized zaibatsu had much of
their paid-up capital tied to the heavy industries, and their financial resources were
much weaker than those of Mitsui or Mitsubishi, the kabushiki kōkai was used to
help raise funds for such capital increases. Asano owned or controlled about
50.8% of the paid-up capital in its direct subsidiaries in 1928, and this number
declined to 38.1% by the end of the first half of 1937. Ōkura's decline in percentage ownership for its twenty direct subsidiaries over the same time period was 87.7% to 77.4%; Furukawa decreased from 89.0% to 72.6%; and Kawasaki went from 53.8% to 38.6%. The focus of the 'sangyō' mid-sized zaibatsu in heavy industries is illustrated by the following statistics: Asano had 23.6% of its paid-up capital in heavy industries (mining, metals, shipbuilding, machinery) and another 33.4% in cement industries, while Ōkura had 33.1% in heavy industries, and Furukawa had 87.5% in heavy industries and another 4.9% in chemical industries.

Another method of financing expansion was through joint-ventures with other zaibatsu. For example, Furukawa established Japan Aluminium in June 1935 with Mitsui and Mitsubishi, to share the financing burden and to share the risk, as aluminium was a new industry (only Mori's Showa Denkō produced aluminum before 1935). A reflection of Mitsui's deconcentration of investment responsibilities can be seen in the fact that Mitsui Kōzan had 15,000 shares in Japan Aluminum as opposed to 10,000 for Gōmei. Asano also entered into joint-ventures with Yasuda, Shibusawa, Ōkawa, and Onoda Cement in its post-Manchurian Incident recovery and expansion. Mukden Zōheijo (Arms Manufacture), was another joint-venture, this time between Mitsui Bussan and Ōkura Shōji. Some kinyū (financial) zaibatsu, such as Nomura and Kawasaki made profits from speculation in stocks with the rise in the prices of most heavy industries companies' shares, rather than from the ownership or control of subsidiaries in heavy industries. The use of stock speculation contrasted with the policies of the Big Two, which had policies expressly warning against speculation in the stock market.

The kōkai was also an opportunity for the mid-sized zaibatsu to rationalize and concentrate their capital. Kawasaki jettisoned its electrical company by selling
it to a competitor. In Okura's case, the number of companies it held shares in declined from 140 in 1931 to 101 in 1936, and the profits from the 1933-1936 kōkai were put strictly towards decreasing loans rather than for capital increases. In fact the years 1925 to 1935 constituted a period of long-term rationalization for Okura.

(D) Sumitomo

In comparison with the Big Two, Sumitomo, the remaining member of the Big Three 'true' zaibatsu, was smaller in terms of the number of subsidiaries, total capitalization and paid-up capital, was far less diversified as a result of its more organic growth, and even more heavy industry oriented than Mitsubishi. Furthermore, Sumitomo did not have any large subsidiaries which dominated its market other than its Bank, and most of its customers were industrial buyers and governments. In fact, it was one of the few zaibatsu which did not have a trading company in the pre-war period. Its location in Osaka, its low-profile among the public, and minimal association with past political manoeuvrings, all served as a moat against the anti-zaibatsu attacks. Furthermore, Sumitomo's developmental history was the least 'political' or seishō-like of all the zaibatsu.

Hirose Saihei, Minomura's contemporary at Sumitomo, is and was often classified as a seishō. However, this is a very misleading epithet. During the Restoration, Sumitomo and the Besshi Copper Mine were completely passive players. There were no incentives for Sumitomo to abandon the bakufu or support the Imperial forces. There were some business problems such as a labor uprising in 1866-67 due to a shortage of rice supplied by the bakufu to Besshi, which in turn was caused by the transportation problems arising from the Summer War, and the cap on the Shogunate's buying price. Kawada Koichirō of Tosa han (of course, later of Mitsubishi) seized the Besshi copper mine, as it was viewed as a Bakufu
mine, rather than a privately operated one, and the Sumitomo Osaka Warehouse was also seized as a stockpile of bakufu copper. In Hirose’s efforts to negotiate their release, a bond between himself and Kawada and Iwakura Tomomi arose. Although Hirose’s connection with Kawada was important in winning the release of Besshi, Hirose chose not to link the fate of the Sumitomo concern with the new government. It was Hirose, not a governmental official, who insisted on keeping the Besshi mine against the recommendation of other Sumitomo managers. 

Hirose upgraded the mine and injected foreign technology into it on his own, not on the advice of Iwakura, Kawada or Inoue Kaoru. Hirose also kept the head office in Osaka, thereby removing Sumitomo from the technological center and the center of political corruption. Furthermore, Sumitomo, like Yasuda, did not buy any government factories or mines even though it had more incentive than Yasuda to acquire government pilot projects because of Besshi and other mining interests. In the meanwhile, Sumitomo diversified into banking, trade and metal engineering, among other things. In 1896, Family Constitution was completed, and in 1892, the kuge Tokudaiji was adopted as the heir of Sumitomo Kichizaemon. Through this, Sumitomo became connected to Tokudaiji's brother, Saionji Kinmochi. However, the Sumitomo name rarely came up in political scandals. The relatively organic growth and diversification pattern of Sumitomo stemmed from the abstention from the purchase of government pilot projects, the initial reduction in revenues from the loss of the official contract with the bakufu, and Hirose Saihei's preference for limiting expansion to primarily copper and mining related enterprises.

When the dollar-buying scandal story first broke, Sumitomo Bank's executive director, Yatsuhiro Norihiko, was contacted by the Osaka Mainichi, and asked about the sums bought by Sumitomo, information which Yatsuhiro supplied. There was some concern among the Sumitomo executive that the anti-zaibatsu attacks against the Big Three would be focused on Sumitomo, since Sumitomo
Bank had bought the most dollars of all Japanese banks, including Mitsui.\textsuperscript{82} However, interestingly enough, in the midst of all the controversy, Sumitomo Bank was allowed to fade back into relative anonymity. The newspapers, the political parties, and the public became too preoccupied with Mitsui (and Mitsubishi) bashing to devote the time and energy to attack Sumitomo.

Therefore, although several of Sumitomo's policies in during 1932-36 displayed some of the same elements as the Mitsui tenkō, such as the kōkai (but not the kata-gawari), increased investments into Manchuria, and the ryōmen sakusen, there was not the same type of public relations motivation or centralized strategic planning. For example, although according to Kawada Jun, individual executives at Sumitomo made donations of their own volition, Sumitomo did not organize a publicized funnelling of funds toward philanthropic projects.\textsuperscript{83} Kawada also claimed that unlike Mitsui, Sumitomo did not have enough funds to donate to social and public welfare projects. A more accurate statement would be that Sumitomo could afford not to donate.

Even more than Mitsubishi, Sumitomo's emphasis on heavy and munitions industries meant that the post-Mukden recovery was more crucial to its overall performance than for Mitsui. For example, one estimate had about 40% of the paid-up capital of Sumitomo subsidiaries in munitions industries.\textsuperscript{84} Moreover, as indicated by Table IX, Sumitomo's investments into Manchuria increased dramatically in 1934, more than Mitsui or Mitsubishi in rate of increase and in gross total. Among its Manchurian investments were: the initial zaibatsu investment into Manshū Kūkō in 1932 (the Big Two did not invest until 1934); incorporation of Sumitomo Manshū Kinzoku Kōgyō (Sumitomo Manchurian Metals Co.) in Sept. 1934, with 100% Sumitomo Kinzoku Kōgyō (Sumitomo Metals Co.) ownership; investment in Nichiman Magnesium (Sumitomo Gōshi-10,000 shares, Sumitomo Shin Dōkōkan-10,000, Mitsubishi Heavy Industries Co.-10,000, and Furukawa-
5,000), and Manshū Kagaku of which Sumitomo Gōshi had 9,600 shares, Mitsubishi Gōshi-5,000, and Mitsui Bussan-5,000 (note that again that the Mitsui investment was made by Bussan, not Gōmei).  

Although Sumitomo opened its shares to public subscription, most of them were sold after 1936, and furthermore, was not part of a concerted public relations program. In terms of kata-gawari, Sumitomo did distribute shares to executives and subsidiaries, for example the kōkai of Sumitomo Densen Seizōjo (Electrical Wire) shares in 1933, but there was no buildup of the holdings of any one or two subsidiaries, and in terms of the number of companies whose shares were sold, Sumitomo's kōkai itself was hardly comparable to Mitsui's. During the period from 1932 to 1937, despite the ceilings set on loans from the Sumitomo Bank to Sumitomo subsidiaries, the intra-zaibatsu loans increased, as did loans from outside banks to the Sumitomo companies. Another concern was that retirement pay would deplete the reserves of Gōshi; thus, employees were allowed to choose among the bonds of Sumitomo Seimei, Trust and Bank instead. This profit-sharing scheme kept the retirement payments within the Sumitomo financial channels. On Feb. 28, 1937, Sumitomo Gōshi was incorporated as a joint-stock company. At the time, this was analyzed as a move toward becoming an 'open' holding company like Nissan, in order to access outside sources of capital. However, Asajima Shōichi has pointed out the fact that the personnel and ownership remained fundamentally unchanged even after the reorganization. Asajima concluded that the transformation of the holding company into the joint-stock form was undertaken to: (1) deflect the anti-zaibatsu attacks; (2) avoid corporate and income tax, as under the partnership system (Gōmei-unlimited, and Gōshi-limited liability), the income of the company was subject of the corporation tax, and the dividends to the owner-families were also subject to the personal income tax, whereas the dividends from a joint-stock company would not be subjected to the
income tax; and (3) have a structure where if Sumitomo's ability to pay the retirement allowances were exceeded by the actual amounts payable, then as a last resort, the employees could be allowed to subscribe to the shares of the holding company, thereby retaining de facto, though indirect, Sumitomo control. The move forecast the eventual incorporation into joint-stock form for both Mitsubishi Honsha (in May 1937) and Mitsui (in August 1940-Gōmei was merged into Mitsui Bussan). However, as noted above, after the initial criticisms swelled from the Dollar-buying Incident, the anti-zaibatsu reaction of the early 30's focused on the Big Two, especially Mitsui, and was not directed at Sumitomo. In making his first point, Asajima appears to have not distinguished between the reactions against individual zaibatsu in 1932-36. Although in actuality, Sumitomo was the third largest zaibatsu by 1932-36, its profile was comparatively low. This meant comparatively infertile soil for negative perception, thereby, significantly decreasing Sumitomo's need for a public relations move.

Nevertheless, the overall trend for Sumitomo during 1930-36 was a politicization of the zaibatsu. Unlike Mitsui, which attempted to maintain its existing position as the major seishō by identifying and making contacts with the next retainers of political power (or the next source of danger), whether they were parties or military factions or civilian extremists, or the mid-sized zaibatsu which found an opportunity to reinvoke their past reliance on government and military consumption for economic reasons, Sumitomo entered the political arena essentially for the first time, both for economic reasons and as an independent factor trying to influence the direction of domestic politics.

For example, unlike the other Big Four zaibatsu, Sumitomo took direct and positive steps to counteract the anti-zaibatsu sentiments among the military, rather than making public relations oriented loans and donations. At the urging of section chief Obata Tadayoshi in Jan. 1932, Ōgura Masatsune sent Furuta Shūnosuke, a
director at Gōshi, to Manchuria to visit the Kantō-gun. One of Obata's brothers was purportedly a general in the Army and another one was a vice-admiral in the Navy. Furuta was told, "No zaibatsu allowed in Manchuria." Furuta did manage to get a meeting with Seigunha (Purification faction-Chōshū) general, Koiso Kuniaki, and convinced him that big business and big capital were equivalent to big armies and big guns in competition against international rivals. Koiso pledged his personal support for a Sumitomo expansion into Manchuria. The Sumitomo Manshū Kōkan (Steel Tubing) was established in 1934 -- three years before Ayukawa's Manchurian Heavy Industries.

Moreover, when Yugawa Kankichi retired as the head executive of Sumitomo Gōshi in 1930 and went into the House of Peers, Yatsuhiro Norihiko of the Sumitomo Bank declared, "Sumitomo's non-association policy with the government is a thing of the past. In present times, to operate in industry without government connections is already nearly impossible." Sumitomo began utilizing the previously dormant political connections through its ties to Saionji Kinmochi, Konoe Fumimaro, Hayashi Senjurō, Hoshino, Kishi and others. Also, Harada Kumao, Saionji's private secretary, became an official part-time advisor at Sumitomo. In fact, some executives of Sumitomo Gōshi proposed that the headquarters be moved from Osaka to Tokyo. After 1931, Ōgura became more active in the Japan Industrial Club, the Japan Economic Federation, was appointed an auditor of the S.M.R. in 1932 and joined the House of Peers in 1933. In addition, in the 1936 elections, while Mitsui and Mitsubishi were trying to extricate themselves from ties to the parties, Sumitomo gave substantial contributions to the Minseitō, most likely at Saionji's request. Contrary to the expectations that may
have arisen from the ties to Saionji, there had been no reports of Sumitomo contributions to the Seiyūkai or the Minseitō prior to the 1936 election.

In some respects, Sumitomo's 1936 activity had the characteristics of a ryōmen sakusen in that the Minseitō-Okada (Navy) group was aligned against the Seiyūkai (Suzuki Kisaburō faction)-Army interests: at the same time they were supporting Admiral Okada and the Minseitō, Sumitomo was actively utilizing their links to the Army in riding the wave of heavy industry development. However, since connections to parties were not the safest form of political investment by 1936, Sumitomo's ryōmen sakusen was not grounded on the same strategies as Mitsui's. One investment, the Tōseiha and the Kantō-gun, was mainly initiated for economic and defensive reasons, or in other words, an attempt to synchronize the zaibatsu to the existing political environment, while the other 'face,' the Okada Cabinet and the Minseitō, was developed for political reasons, in order to attempt to effectuate a reinstatement of a party cabinet which would pursue a foreign policy more favorable to what Sumitomo perceived as being the long-term interests of private business and the nation. This effort to cauterize the rising militaristic trends was an attempt to synchronize the external environment to the zaibatsu, rather than vice versa, that is, more an initiative than a reaction. Like Sumitomo, Mitsui reacted to the external environment to maximize its business opportunities. However, Mitsui adjusted to the existing trends, or attempted to make those trends advantageous for its operations (i.e. through ties to the military and extremist groups), whereas Sumitomo appears to have used its connection to attempt to change the direction of the trends themselves on the one hand, while taking advantage of the military expansion with the other.

While the Meiji Restoration failed to bring Sumitomo government contracts on the scale as those received by Mitsui or Mitsubishi, or draw it into the political arena, the Manchurian Incident and the crisis of the early 1930's marked the
beginning of new pattern of behavior for Sumitomo. Similar to Mitsui, in chemical and heavy industries, there was no change of direction for Sumitomo since the base had been built up in the 1920's. Like Mitsui, Sumitomo did 'convert' toward accelerated investment into Manchuria. However, unlike Mitsui, there were no pressing public relations incentives, and the reforms in political connections were of a different nature than Mitsui's.

From the brief summaries of the reactions of other zaibatsu, it can be seen that the developmental history of each zaibatsu played significant roles in determining the extent of external pressure directed against them, and the shape of the response. Also, the comparatively low profiles resulting from either poor business performance, a concentration of subsidiaries in industrial fields, fewer human resources (high-profile executives), and more restricted or organic diversification, contributed to the anti-zaibatsu criticism and terrorist attacks being diverted away from the smaller and more specialized zaibatsu, towards Mitsui, and to a lesser extent, Mitsubishi. From this viewpoint, Nakamigawa's abortive reforms were crucial to Mitsui's behavior in the 1930's. If Nakamigawa had lasted more than ten years with Mitsui, he would have succeeded in distancing Mitsui from excessive intertwining with the government, just as Yasuda Zenjirō and Hirose Saihei, had done, and as Iwasaki Koyata was attempting to do. Ōkura, Yasuda and Mitsubishi began attempts to change their public image through social work in the Taisho era, whereas Mitsui, although it too donated to social welfare causes during Taisho, displayed an attitude that as "Fortune's son," it did not need to alter its image, and that its success and largesse spoke for themselves. If Nakamigawa had lived to ingrain his policies deeper into the Mitsui structure, the anti-Mitsui reaction of the early 30's may not have been as severe, and the reactions to the criticisms may have taken a different form than Ikeda's reform measures.
PART 2: COMPARISONS TO NON-JAPANESE CONGLOMERATES

In this section, a brief comparison of the similarities and differences between Mitsui's reforms and the behavior of some Western big businesses will be undertaken. In comparing Mitsui with Western conglomerates or big businesses, the more diversified organizations of the Japanese zaibatsu, the greater diversification of the zaibatsu as compared with most of the Western conglomerates, the societal and political differences, the variance in the lengths of the respective histories of the individual business enterprises, the overall market structure, the roles of the banks, the rates of profit for the owners of the businesses, the forms of financing, the distribution networks, the types of capital invested, the availability and application of technology, the number of workers, the respective political systems and institutions of each country, and other such factors in the various countries and firms, will not be dealt with in any systematic way.

This will strictly be a brief and general comparison between analogous policies in the areas of (A) corporate philanthropy as a public and industrial relations strategy, which will deal mainly with the U. S. analogies; (B) business reforms such as executive personnel or structural changes; and (C) political strategies, which will use mainly German and some American comparisons. In industrial and public relations, and in political strategies, there were a striking number of similarities both in the external conditions, and in the specific responses of a number big businesses and Mitsui's tenkō policies. The business reforms of the first half of the 1930's were for the most part, dissimilar. In the canard-hunting works on the role of German big business and multinationals in Hitler's rise to power and in the Third Reich, the common caveat has been that the behavior of the businessmen and the enterprises should be judged on their own terms.

The political behavior of Mitsui, and German businesses such as IG Farben and Krupp, can be criticized on
the grounds that the respective policies and actions resulted in major setbacks to the long-term self-interest of the firms. By my definition, since the first-level objective of all business entities is the promotion of the long-term self-interest (see Introduction), the 'failure' of the political policies of many of the zaibatsu and the German konzern was a 'failure' by their own terms.

The late 1920's and the first half of the 1930's was a period which saw the Depression spawn anti-big business reactions, business performances declined, and government economic controls increased in the U. S. and Germany. Since the respective external environments for big business during 1927-1937 in the U. S., Germany and Britian were at their most similar to Mitsui's external environment at 1932-33, the comparisons of crisis business and political policies will stay within those chronological boundaries for the most part.

(A) Philanthropy and the External Environment

In contemporaneous and present works, in an attempt to find uniquely Japanese characteristics of business operations, the differences in the Japanese economic principles of cooperation, nationalism and paternalism over the Western ones of competition, individualism and the profit motive, have been stressed. At first glance, the foundation of the Mitsui Ho-onkai appears to be an example of this unique Japanese interpretation of capitalism. However, as was discussed in Chapter II-1-A, although the preconditions for the criticism of Mitsui's treatment of the common person resulted from the use of traditional values of paternalism in the 1920's as a rationale for the labor policies, the actual form of the public relations policy was inspired by Western examples.

In The Development of Japanese Business, Johannes Hirschmeier and Yui Tsunehiko have compared the anti-zaibatsu reaction in the 1930's to the U. S. business-government relationships in the 1880's and the 1890's, and from this,
concluded that Social Darwinism, though applicable in America, was not acceptable in Japan. However, this comparison is misleading in that it compares a crisis situation with a normal one. It also does not take into account a very important point: in any society, even in the (comparatively) laissez-faire West, Social Darwinism was acceptable only if the material welfare of the general population is at a standard deemed acceptable by the social values. For example, in times of economic crisis, such as the Great Depression, when the gap between the 'leaders' in the profit accumulation race (i.e. big business) and the general population became too large, and the living standards of most of the society declined to level deemed unacceptable, then, Social Darwinism became less tenable as anti-big business reactions set in. What was once an acceptable level of individualism or ethical-egotism (the ego being the entrepreneur or the corporation) on the part of big business became something that was perceived as being fundamentally in conflict with public interest. In other words, the businesses were too successful in the Darwinian struggle. For all his iconoclasm and reputation as a "rugged individualist," Henry Ford almost always claimed to be working for the benefit of the "common folk." He projected an image of a balance of eccentric individualism with concern for the welfare of the larger society. Ford's success in public relations prior to 1932-33 was due to his emphasis on the differences between himself and the 'really big corporations.'

In short, the establishment of the Mitsui Hō-onkai was not a uniquely Japanese reaction to the external environment, but part of a larger pattern of behavior. Whether it was Puritan social responsibility or Japanese paternalism, because of the anti-big business reactions of the early 1930's, Mitsui, General Motors, Du Pont, Ford, U. S. Steel and others, were forced to shield themselves from unfavorable socio-economic environmental variables, and improve or adapt industrial and public relations in the face of the anti-big business attacks. This is
not to claim that the principle of individualism was not stronger in Western society, or that the American anti-big business reactions were as violent as the Japanese ones, or that there were no theoretical differences between the Puritan social ethic and Confucian paternalism, or to suggest that capitalism inevitably evolves into socialism, as Joseph Schumpeter would have it, or that historical materialism governs all evolution or change, or to say that impoverishment is a sufficient cause for rebellion, or to deny that definitions of "acceptable" vary according to the society or the time.

Regardless, in the specific point of corporate philanthropy as a public and industrial relations strategy, Hirschmeier and Yui's 'Social Darwinist' America had a longer history of publicized corporate philanthropism. American corporate philanthropy is generally acknowledged to have its origins in Andrew Carnegie's 1889 article "The Gospel of Wealth." Carnegie, the steel magnate and the pioneer of corporate philanthropy, developed a concept of a "stewardship" of the wealth based on the Puritan-Christian ethic, and derived that successful businessmen should do some service to all society as they were merely trustees of the common wealth. Or as Carnegie put it, "A man who dies rich dies disgraced." By the 1890's, there was a prevalent perception in the U. S. that the corporation lacked social responsibility and lacked a 'soul.' Weberian interpretations of the Protestant ethic notwithstanding, Carnegie's panacea for the apparent conflict between Puritan-Christian ethics and selfish-profit-seeking was taken up with increasing vigor, indicating that Social Darwinism and the "invisible hand" had become less palatable by themselves even as early as late the nineteenth-century U. S. Carnegie's reputation as a 'sharp operator' meant that he had everything to gain in terms of public image from philanthropic donations. In contrast to the more nationalistic, fukoku kyōhei -based business ideology of late nineteenth-early twentieth century Japan (which developed from the comparatively late
industrialization and the group-oriented social value system), due in part to the more individualistic nature of the American market and society, it would appear that the perception of the public interest and the pursuit of individual profit as antipodes developed at an earlier stage in the United States. In Meiji Japan, the fukoku kyōhei litany, led by the likes of 'minister' Shibusawa Eiichi, essentially enabled the success of the entrepreneur in itself to be the calibrator of the degree to which the national duty had been fulfilled. To take Adam Smith and Alfred Chandler out of context, the "invisible hand" of built-in market public relations mechanisms survived longer in the Japanese social context, whereas in the more competitive and individualistic American society, the "visible hand" of active corporate public relations and philanthropy was required at an earlier stage. In Germany, the similar factors of so-called comparative "backwardness" or later industrialization, the sense of strong national identity or the desire for national unity (Volkgeist), the comparatively underdeveloped domestic market, and the sublimination of the labor-industry conflict under the banner of "planned capitalism" from 1924 to 1928, and the hierarchical nature of pre-war German society (which was even more rigid than the Japanese society), may help account for the noticeable absence of systemized corporate philanthropism among the big businesses of prewar Germany. Prompted by the fears of Bolshevism, some attempts were made by businesses in the Weimar Republic to buy-out newspapers and distribute the viewpoints of the large-scale enterprises. However, these heavy-handed approaches met with limited success, and the idea of promoting corporate philanthropism did not enter into the comparatively late-developing public relations formula of the German firms.

Other Americans followed Carnegie's lead. In 1910, due to the negative publicity generated by charges of corruption and bribery arising from the political activities of a du Pont Senator, Du Pont Co. hired a public relations firm to conduct
a campaign to improve its corporate image. Although J. P. Morgan Sr., had made some personal donations to Harvard Medical School and other projects, starting in 1917, J. P. Morgan Jr. began officially donating on a regular basis to universities, museums, church funds, and other projects. John D. Rockefeller went from "sinner to saint" as a result of a concerted public relations campaign, which involved huge donations to various philanthropic causes. In 1906, Rockefeller hired his first public relations manager to counteract the negative publicity received from the 1905 publication of Ida Tarbell's book on Standard Oil. In 1913, Ivy Lee was hired as the public relations major-domo, the Rockefeller Foundation was established, and employee benefit programs were instituted to remove the association of the Rockefeller image with the words 'stingy' and 'monopolistic.' From the peak of $900 million fortune in 1913, by 1935, Rockefeller Jr. held oil stocks of three companies worth an estimated $245 million. In comparison, by 1933, it was estimated that the personal fortunes of the eleven Mitsui families combined was worth a total of $450 million. During the 1920's, the Rockefeller fortunes were declining due to the various philanthropic donations, while the Mitsui fortunes were increasing. At any rate, of note is the fact that in 1924, after the Kantō Earthquake, Rockefeller Jr. donated $1.54 million, which was the equivalent of about ¥3.7 million in 1924 yen (¥100=$0.42) to help rebuild the Tokyo Imperial University Library, while Mitsui and Mitsubishi donated about ¥5-6 million each in total in the aftermath of the earthquake. Considering the dissimilar trends of the wealth of the Mitsui clan as opposed to the Rockefeller fortune, and the fact that Rockefeller was donating to a foreign country, this particular donation points to the fact that high-pressure public relations of the Rockefellers (and Ivy Lee) was more advanced than those of the zaibatsu.

However, by the 1920's there was a 'convergence' in the policies of many American and Japanese big businesses in industrial relations. Similar to
Japanese paternalism, American corporate paternalism (or welfare capitalism) grew in the 1920's, and was actually successful in undermining the power of the labor unions. General Electric, under president Gerald Swope and chairman Owen D. Young, started its "enlightened management" as early as 1923. Young stated that businessmen had come to realize "that a high wage scale may be consistent with not only low production costs but also with the greatest security to and return on capital investment." The fulfillment of Christian duty in social, moral and political relations was not incompatible with the long-term success of the corporation. Young's conception of business as an institution which had obligations to the public, the workers, the stockholders, and itself, was a more sophisticated view of harmonizing or synchronizing the firm with the larger external environment (not just the external market conditions) than those which had been held previously by many American businessmen. Gerald Swope was particularly concerned with the instability in employment, and led the formulation of personnel policies, such as unemployment insurance and retirement benefit schemes, in the 1920's, much as the development of the "Japanese employment system" in Taisho and Showa augmented and reinforced paternalistic responsibility of the zaibatsu enterprise toward its employees. In Britain, similarly, paternalism in labor relations dominated in the mid-to-late 1920's, where policies such as profit-sharing, employee representation, seniority pay and subsidized housing was used in the mining and chemical industries. Interestingly, Young and Swope were called "industrial statesman." Rather than call Ikeda the Ivy Lee of Japan (after all, Ikeda was not merely a public relations agent), it would be more appropriate to call Owen D. Young 'the Shibusawa Eiichi of the United States.' J. C. Penney's motto, "Service above self," Ōgura Masatsune's statement, "My guide for living a virtuous life is: you must first do good unto others," and Ōkura Kihachirō's line "The most important thing in business is trust," all made good long-term business sense.
These were very rational statements in that the results could be used to benefit the public image of the corporation. As the Rotary Club motto put it succinctly, "He profits most who serves best."\textsuperscript{122} Synchronization of the firm to the larger external environment in more ways than simply adjusting to changes in market conditions could help satisfy a burning desire to 'help others,' and was also good public relations at the same time. Thus, whatever the 'true' motivations and origins of corporate philanthropism in the U. S. and Japan, the actual effects were the enhancement of the long-term self-interest of the company and the building blocks for a breakwater against existent or potential waves of negative publicity.

However, one of the effects of the Depression was to discredit some of the policies of corporate paternalism, and give impetus to the growth of the labor unions. Despite the pledge to Hoover not to lower wages, Ford, General Motors, Du Pont and even General Electric were forced to lower wages and lay-off workers.\textsuperscript{123} The declines in revenue or outright losses resulted in a shortage of funds for philanthropy and welfarism, while anti-business reaction of the larger society and the Roosevelt administration magnified doubts in business circles about the effectiveness of positive worker incentive programs.\textsuperscript{124}

Despite previous public relations campaigns, the Rockefellers, du Ponts, Morgans and others were castigated in newspapers for "extorting their wealth from the wrecks of smaller businesses, and along the path of war."\textsuperscript{125} The Senate Banking and Currency Committee of 1933 thoroughly vilified J. P. Morgan, Jr., and led to the passing of the Glass-Steagall Act of 1933 which prevented banks from maintaining affiliations with brokerage houses, which ended the existence of the Morgan Bank as a savings and securities 'bank.'\textsuperscript{126} Similar to Mitsui, Morgan was perceived as being the embodiment of power and wealth. However, unlike the case with Mitsui, the perception of J. P. Morgan & Co. was not based on facts, as the Morgan partnership had suffered considerable losses during 1929-32 (which
was why Morgan, Jr. did not pay income tax for 1931 or 1932), causing its net worth to fall from $118 million to $53 million. Unlike Mitsui, Morgan, Jr. had been donating to philanthropic causes regularly before the anti-big business reactions set in, including the raising of funds for unemployment relief in 1931-32, so he had more grounds for claiming that his philanthropies were not mere camouflage. However, because of the depletion of reserves and assets, Morgan & Co. was forced to stop its philanthropies after 1933. The Nye munitions hearings in the U. S. and the Royal Commission on munitions in Britain, had a negative impact on the images of Du Pont, Vickers-Armstrong and other munitions related companies.

Nevertheless, although there have been claims that the paternalistic policies died out in the 1930's, the evidence points overwhelmingly to the opposite. In most cases, positive or causative policies to counter the rise of trade unions and to increase overall business performance were not phased out by the large firms which had led the way for the 'paternalistic' industrial relations of the 1920's. Some firms, such as Morgan, decreased their philanthropic activities, and others discarded social work policies such as recreation programs or hygiene programs, company churches, and the like. However, in many cases, the focus of the specific policies were shifted from such intrusive policies affecting employee leisure or non-work time, to monetary and work-place benefits, such as increased wages, profit sharing, unemployment insurance, and company unions. In fact, in some cases, corporate philanthropy was taken up by companies which had not been particularly noted for their 'enlightened' labor policies during the 1920's. Henry Ford, despite his criticism of the "stupid trend...of donating to this and that cause," endowed ¥500 million to the establishment of the Ford Foundation in 1936. General Motors chairman Alfred Sloan, the man who opposed the use of safety glass in GM cars in 1932 on the basis that "we [GM] are not a charitable
institution -- we are trying to make a profit for our stockholders,"\(^{133}\) established the Alfred Sloan Foundation in 1937.\(^{134}\) Donaldson Brown of GM organized a systemized method of distributing corporate donations, spurred in part by the rise of the United Auto Workers union (UAW).\(^{135}\) Du Pont's "institutional publicity" was another case where the company started a public relations program in 1936 after receiving bad publicity, this time from the Nye hearings, the charges of tax fraud for 1929-32, and the massive lay-offs.\(^{136}\) Rockefeller continued his philanthropies, and the generally favorable press articles on Rockefeller resurfaced.\(^{137}\) U. S. Steel and Westinghouse raised wages, and continued housing, profit sharing and pensions programs.\(^{138}\) General Electric was able to reincarnate its "paternalistic" or "corporatist" policies as new "humanistic" policies. GE was an exception in that it was comparatively flexible in its attitude toward the trade unions, which were growing despite the presence of GE company unions.\(^{139}\)

In an even broader sense, the rise of organized, systematic corporate philanthropism as a public and industrial relations measure in the U. S. and Japan in the 1930's was related to the development of more customer-oriented marketing for the domestic markets and a greater awareness of the external environment in the 30's. In the U. S., the recognition of the importance of mass consumers had been developing since at least the 1920's, especially in the auto industry where success was dependent to a large extent on forecasting trends among the average consumers. Ford mounted an advertising campaign under Edsel Ford, which stressed low prices and benefits to the consumer, eventually forcing GM to do the same.\(^{140}\) Most American consumer goods producers became increasingly consumer-oriented in their marketing by the early 30's.\(^{141}\) Citroën, in its recovery process from its 1934, carried out a nationwide market study to better forecast the needs of the consumer, and most French firms "had become aware by the 1930's of consumers' responses to price and income changes."\(^{142}\)
(B) Business Reforms

In addition to the marketing, there were changes in the business operations of several Western firms from 1930 to 1936. However, for the most part, these had less in common with Mitsui's executive and structural reforms than was the case with corporate philanthropy. This was because of Mitsui's unusual administrative structure, the fact that it experienced more extensive external pressure than any other single conglomerate, konzem or zaibatsu, and its success in weathering the Depression.

In terms of the role of the owner in the enterprise, there were no cases where owners resigned from presidencies of major companies in the West as a result of public pressure, or from owner-executive conflicts. The Mitsui removal of owners from executive positions was not part of a larger international trend. In observing the zaibatsu tenkō, Suzuki Mosaburō stated in 1934 that "the trend of the zaibatsu tenkō was a strengthening of managerial enterprise [bantō-seijij]." It was noted in Chapter II-2-B that the resignation of the Mitsui family heads was the culmination of a long-running owner-executive conflict. However, the power of the hired executives had outweighed the Mitsui clan's since at least the formation of Gōmei, if not before. Differences in opinion between the owners and the executives could take place, but the majority of the decision-making was handled by the likes of Masuda, Dan, Ariga and Ikeda. Therefore, the Mitsui tenkō was not a move from "family management" to "modern" managerial enterprise, but a consolidation or an acceleration of an existing trend. The resignation of Mitsui family heads from the presidencies of the companies was an anomaly among zaibatsu and big business in general in that the number of symbolic or nominal presidents in the holding company and the subsidiaries was extremely high as compared with Western firms, or Mitsubishi and Sumitomo. Thus, Mitsui could afford to have the Mitsui
family heads resign *without undertaking any fundamental changes in the management structure*, whereas Ford, Krupp, Flick, Bosch, Siemens, Mitsubishi, and to a lesser extent, Du Pont, IBM (Watsons), Armour, Norton and Morgan, could not have the owners resign from their executive positions as easily.

At Vickers, as a part of an extensive managerial reorganization, Douglas Vickers, the owner, did resign as president in 1927, but as a result of internal financial difficulties.\(^{145}\) Vickers remained on the board of directors, as did the Mitsui family heads in their companies, and actually was the Vickers-Armstrong representative on the Nippon Seikōjo board of directors in 1937.\(^{146}\) The Armstrongs retained their positions, but with reduced power after the Vickers-Armstrong merger. Essentially, the power of decision making at Vickers-Armstrong came to rest in the non-family executives.\(^{147}\) By 1930, the British Rothschilds had handed over the direct management duties to their hired managers.\(^{148}\) However, Vickers-Armstrong, the Rothschilds and other companies such as Dunlop Rubber Company did not represent a general trend toward the removal of owners from executive positions within the firm. In the 1930's, in the majority of the firms in Britain, owners retained their dominance of the boardrooms.\(^{149}\) At Citroën, the owner, André Citroën, centralized decision-making powers in 1930 in order to eliminate the "duality in the direction" of the firm. However, after the eventual bankruptcy of 1934, a new management team came in to Citroën.\(^{150}\) In other firms such as Morgan, Armour, Du Pont, Norton, Flick, Bosch, and Krupp there were no systematic changes in personnel, or resignations of owners from executive positions, or changes in the structure of decision-making. The owners of these firms still had significant, if not sole, control of the central decision-making process in these enterprises. In several other American firms or conglomerates, such as General Electric and General Motors, the owners had already divorced themselves from direct management duties well before the Depression. Another example was
Andrew Mellon, who retired from the directorship of about thirty companies when he became the Secretary Treasurer in 1921. Though Mellon retained directorships in some companies, and Mellon interests owned 100% of nine industrial companies, and 80% of Mellon National Bank, Mellon himself appeared to have an indifferent, transcendental attitude to the management of his companies from about the mid-1920's on. Thus, in Western big businesses, either managerial enterprise had developed before 1929-32 and the owners had been removed from company presidencies, or the owners retained significant control of the decision-making process.

However, it should be noted that if Ikeda desired autonomy from the meddling Mitsui clan, Owen D. Young, and Gerald Swope wanted autonomy from the stockholders. In 1932, Young stated, "The old notion that the heads of business are the paid attorneys of stockholders to exploit labor and the public in the stockholders' interest, is gone -- I hope forever." At GM, the stockholders were held to be the primary customer (see above). However, the emphasis was on all stockholders as opposed the special interests of Du Pont (which held 35.8% of the common stock). The 'management team' of Sloan, Donaldson Brown and John L. Pratt (Brown and Pratt had been employed by Du Pont before switching over to GM), and others, took steps to limit Du Pont influence in the decision-making process, and to assert the precedence of GM priorities over Du Pont interests. Whether the interference came from owner-families, largest stockholder group, or stockholders in general, and whatever the policies such meddling was hindering, the common point was the desire for managerial autonomy, or at least the containment of non-executive interference, on the part of the salaried, professional executives.

As for changes in the larger organizational and administrative structure, there were no analogous policies to Mitsui's kata-gawari or increased use of
outside capital to finance expansion. This was largely due to the fact that most Western conglomerates were either publicly financed by 1932 already, and also because the Western big businesses were not as horizontal diversified.

The reorganization of IG Farben's managerial structure, which was necessitated by its merger of 1925-26, was completed in 1930. In addition, a central committee, drawn from the Vorstand (executive board), was created in 1931. However, these changes were extensions of the original reforms started in 1926, and not as a reaction to the changes in the business and political external environment. The same pattern applied to the decentralization of the Vereinigte Stahlwerke AG (VSt) decision-making process in the 1930's, where after the initial consolidation of decision-making after the 1926 merger, beginning in 1931, the central office gradually became more analogous to Mitsui Gōmei in its administrative role as an assessor of initiative from below, a coordinator and a the guardian of the primacy of the larger objectives of the enterprise as a whole rather than the goals of each operating unit. Likewise, the centralization of decision-making at Imperial Chemical Industries (ICI), was a continuation of a process begun in 1929, two years after its formation through merger, and accelerated by the (natural) death of its chairman, Sir Alfred Mond, in 1930. In its financial structure, ICI increased its liquidity in the Depression years (1929-1933) by selling shares from some of its holdings in non-controlling companies (but not its GM shares) and by postponing or cancelling capital expenditures until after 1933.

However, there were a few examples of inter-locking shareholding in other countries, as well as some generally analogous policies to Mitsui's business-oriented reforms. In France, there was some loose inter-locking shareholding (participations) in the inter-war period, and German heavy industries entrepreneur Friedrich Flick used inter-locking shareholding from the mid-1920's on to maximize
family control. Unfortunately, it is not clear how extensive the practice was in terms of its scope and the percentage rate of intra-group shareholding.

Some analogous behavior was displayed by Du Pont, Siemens and Morgan in that the reforms to their respective structures developed as responses to changes in the respective external environments. The closest analogy to Mitsui's kata-gawari was Du Pont's reforms of 1926-29. Pierre du Pont transferred his shares of GM and Du Pont to the Delaware Realty and Investment Co., and had the company pay annuities to him to avoid being assessed inheritance and income tax, and also organized the sale of the issue of $258 million worth of preferred stock of GM -- as Pierre explained it -- "to keep the cash account large, making it possible to take advantage of opportunities for investments and insure maintenance of common stock dividends without question." However, this was a planned initiative to advantage of market conditions, not an attempt to respond to political pressures or to take advantage of proto-war economy conditions.

Siemens decentralized its managerial structure in 1933 in response to the changes in the market conditions, new production facilities, increasing growth rates and business methods, so that Siemens & Halske became a technical and financial holding company. Mitsui's kōkai and kata-gawari were also responses to changing market conditions and increasing growth rates, but in addition, were motivated by political and public relations concerns: at Siemens, all four incentives for reform were business considerations, some of which were affected by politics and government policy, rather than a combination of financial, public relations, and political motivations.

If the Glass-Steagall Act is viewed as a part of the anti-big business reaction, Morgan's changes -- the separation of securities and savings activities, liquidation of personal property, and eventual incorporation of the partnership in 1940 -- can also be viewed as being loosely analogous to Mitsui's reforms. However, the
fundamental difference between Mitsui and Morgan was that Mitsui had survived the Depression in far better shape than Morgan, and more importantly, Mitsui's business tenkō policies were intended to facilitate the expansion in the heavy and chemical industries. Morgan's 1940 incorporation was the result of a long-term decline which started in 1929, whereas the Mitsui Gōmei merger into Bussan was primarily the result of its continued qualitative growth, which magnified the later shortage of internal funds in 1937-40.

Mitsui's business reforms of 1932-36 also contrasted with the rationalization through jettisoning of companies such as Ford, which divested itself of its Airplane Division, among other properties, during the Depression, Vickers-Armstrong, which disposed of most of its holdings in electrical and overseas companies from 1928 to 1932, or Vereinigte Stahlwereke (VSt) and Krupp, which reduced the number of mining pits and blast furnaces from 1929 to 1933.159 Rather, Mitsui's 1932-36 rationalization through mergers of its chemical companies, or having Wanishi and Kaimashi joining Nippon Seitetsu, although obviously disparate in scale, had more in common with the late 20's formation of IG Farben (1925), VSt (1926), Imperial Chemical Industries (ICI) (1926) and Unilever (1929) through mergers within a specific industry.160 With IG Farben, Unilever, ICI and the gradual fusion of several Mitsui chemical companies into Tōyō Kōatsu, the intention behind the mergers was the facilitation of further growth and strengthening their respective competitive positions, not the jettisoning and reallocation of resources to survive major financial crises.

(C) Political Activities

The political connections of big business in prewar U. S. and Germany differed from the Japanese experience in that the financial support of political parties in the 1920's did not result in widespread antagonism against big business.
However, in contrast to Germany and Japan, in the U. S., the political system itself was never questioned seriously and there were also no examples of ryōmen sakusen or diversification of 'political' investments. In addition, American firms supported the political party or candidate either as individuals or on the basis of platforms which were most favorable to their interests, rather than on the basis of expediency, that is, the likelihood of the party or candidate winning.

There were some other differences in the behavior of many of the German konzern in the political arena compared to Mitsui's political strategies. In Germany, the parties were not as compliant during the 1920's as they were in Japan. Also, big business in Germany had more obvious incentives to fund the Nazi party and diversify its political investments than Mitsui did in funding Kita and the Kōdōha. However, in following a political ryōmen sakusen, the German konzern and Mitsui both undermined their own long-term self-interests.

The financing of political parties in the 1920's was not unique to Japan. However, in the U. S. and Germany, the background of business-politics intermingling during the 1920's did not yield a perception of monolithic business powers controlling the political scene. Certainly, the wealthy businessmen in the U. S. were viewed as wielding considerable political power, as indicated by a list of the "Most Powerful Men of the U. S." compiled by an U. S. diplomat which was predominantly composed of businessmen such as Rockefeller, Morgan, and Mellon. But the relatively high numbers of large firms active in politics in the U. S. and Germany meant that no two equivalents of Mitsui and Mitsubishi could be accused of monopolizing political and economic power. Although Mitsui could influence government policy through business associations, financing and personal connections, the public perception was distorted by the newspapers, general economic conditions and the activities of the extremist and/or militarist
groups. However, to invoke the Thomas theorem again, "If men define situations as real, they are real in their consequences."

Additionally, the apotheosis of the Rockefellers from 'sinners to saints,' the ever present 'American dream,' and the notions on individual initiative may have helped assuage doubts the public had about the power of the wealthy, while the absence of violent extremism in the U. S. also dampened the anti-big business reaction. Moreover, most contributors in the U. S. acted as individuals rather than as official representatives of their firm. For example, though one J. P. Morgan & Co. partner, Thomas W. Lamont, supported the Democrat James Cox in the 1921 presidential elections, and J. P. Morgan, Jr. supported Harding, there were no problems in the relationship between the two partners. Also, the three main du Ponts of the Du Pont Company were Republican contributors, but John Raskob, who was first Du Pont's treasurer, then the financial director at GM, became a Democrat in 1926. In 1928, Raskob became the National Chairman of the Democratic Party and Al Smith's campaign manager for the presidential election of the same year. Raskob was forced to resign from his financial post (but remained as a director) after Sloan declared that "GM and partisan politics should not be mixed." In the election, Raskob received official support from Pierre du Pont (one of the main three) who switched his allegiance from the Republicans to the Democrats, while all other du Ponts, GM executives, including Sloan, and Morgan interests, contributed heavily to Hoover's campaign.

By the turn of the century, the Republican Party was associated with business interests. The Mellon, Rockefeller, Guggenheim (American Smelting and Refining) and Morgan families were regular contributors to the Republicans. Andrew Mellon served as Secretary Treasurer from 1921 to 1932 under Harding, Coolidge and Hoover. In terms of successful business influence in politics, under Harding and Coolidge, Mellon and Secretary of Commerce Herbert Hoover (a
mining magnate in his own right), carried much of the real power. Mellon introduced sweeping tax rebates (including some to himself), a policy which was thoroughly criticized in 1931-32, but did not generate as much contemporary criticism or opposition in large part because of the prosperity of the 1920's. Meetings between political leaders and business leaders were not as casual or social as was the case in Japan; nonetheless, business interests were encouraged by Hoover and Mellon to make suggestions on policy-making. Once President, Hoover continued this practice, as exemplified by the November 1930 manufacturers conference, which was attended by Andrew Mellon, Pierre du Pont, Henry Ford, Owen D. Young, and Alfred Sloan, among others.

In the Weimar Republic, despite the best efforts of big business to control the parties through extensive financing, the politicians often refused to stay bought. This failure to control or influence the party leaders indirectly contributed to the absence of mass criticism of party-big business connections, and direct participation of big business or businessmen in politics. For example, one of IG Farben's directors, Wilhelm F. Kalle, was a deputy for the German People's Party in the Reichstag, and also organized a secret committee to handle all of IG Farben's political affairs. There were two industrial associations in the Weimar Republic; one dealt with labor-management issues, and the other, the 'industrial Reichsverband' dealt with larger economic issues and governmental policy. However, despite the existence of these business organizations, by 1931-32, there was a growing sense of disillusionment and frustration on the part of big business at the fractured and ineffective nature of the center or bourgeois parties. Kalle retired from politics after the 1930 election, complaining that in the Weimar Republic, "economic power did not translate readily into political power."

In terms of the actual strategy of political support, there were no analogies to Mitsui's ryōmen sakusen among the American corporate giants. The tradition of
acting more as an individual than a corporate entity in during elections stunted conscious attempts at diversifying the political links of a particular firm. The closest example to a ryōmen sakusen occurred in the 1932 election, when Hoover's defeat was an axiom, Lammot and Irénée du Pont (two of the main three) contributed generously to Hoover's campaign but voted in private for Roosevelt. The same was probably true for J. P. Morgan Jr., who donated to the Republicans but whose letters of 1932-33 indicate that he had high hopes for Roosevelt. In fact, such behavior displayed more sense of duty, albeit reluctant, to old party ties than the Mitsui's policy of jettisoning party connections because of the negative publicity and the unlikelihood of their wielding any power. For the first year of Roosevelt's New Deal, big business was almost unanimous in its initial support of his policies. However, once the honeymoon was over, the conflict between Roosevelt and big business became open and bitter, Roosevelt's son's marriage to a du Pont in 1937 notwithstanding.

There were some forms of behavior analogous to Mitsui's ryōmen sakusen exhibited by German firms, IG Farben in particular. IG Farben, among other businesses, had a diversified political 'portfolio' during the 1920's. IG Farben regularly contributed to three or more parties in between and during elections. This was relatively common practice because of the absence of strong, unified parties, and the resultant proliferation of parties in the Weimar Republic. By the spring and summer of 1932, when it was clear that the Nazi party was a major political force, IG Farben's Carl Bosch decided to approach Hitler directly, especially regarding Hitler's stance on the synthetic oil industry. According to Henry A. Turner, "Presumably to minimize the damage if the venture turned out badly, [Bosch] avoided involving any of the top executives of Farben." Instead Bosch sent one IG Farben's junior executives to convince Hitler to stop the anti-Farben criticisms in the Nazi papers. The meeting turned out to be a mixed
success, but in the same year, Farben began contributing "small sums" to the Nazi party. Therefore, although IG Farben was not the largest contributor to the Nazis election campaign for July 1932, and did not receive any promises of subsidies, active cooperation and a guaranteed market for its synthetic oil industry as has been claimed, it still adhered to its political diversification strategy. In comparison to the behavior of Carl Friedrich von Siemens, the head of the Siemens electrical firm, who withdrew from financing political parties altogether in the spring of 1932, and actually helped organize what amounted to an anti-Nazi conference of leading industrialists on October 19, 1932, IG Farben's strategy of political diversification was far more calculating and similar to Mitsui's ryōmen sakusen.

Unlike IG Farben, Gustav Krupp had not been particularly pleased with Brüning's economic policies, but he ignored all attempts by Nazi sympathizers to solicit his support prior to 1933. Krupp also attended the October 1932 Siemens-organized meeting. However, Gustav Krupp also engaged in some ryōmen sakusen, but only after Hitler was appointed Chancellor in January 1933. Although Krupp had declined to meet Hitler on Oct. 28, 1932, as the chairman of the industrial Reichsverband, Krupp actually pledged his support to the Nazis at the infamous Feb. 20, 1933 meeting with Hitler. However, Krupp also met with trade union leaders in March 1933 after being frustrated by the Nazi commitment to an autarkic trade policy, and hearing of reports of Nazi plans for the establishment of a corporatist structure. However, after this brief attempt at political diversification, Krupp soon returned to a 'single-faced' policy, and actually became an enthusiastic supporter of the Nazi state.

In terms of incentives for the political moves of big business in the U. S. and Germany in the first half of the 1930's, the German konzern and the American big businesses appear to have had stronger reasons to follow their respective courses
than was the case for Mitsui. As of 1933, the government in power in Japan was still comparatively more cooperative than those in Germany and the U. S., where two dominant administrations quickly propagated government hegemony over private business. In Germany the Nazis did make some efforts to generate the support of big business, giving German konzern more incentive to support the Nazi party than Mitsui did in supporting Kita.

In the U. S., Roosevelt's policies and denunciations of the "economic royalty" quickly alienated the plutocracy which had welcomed him warmly at the start. Raskob abridged his political activities after Roosevelt was nominated over Al Smith for the presidential election, and was forced out of his post as the National Chairman by Roosevelt soon after the election. A series of regulatory laws, and the pro-union Wagner Act caused Pierre du Pont to resign from his positions on the National Labor Board and the National Recovery Administration (NRA) Industrial Advisory Board in March 1934. By the same month, J. P. Morgan, Jr. had also undergone a change in his attitude toward Roosevelt, especially after his experience at the hands of the Senate Banking and Currency Committee, and the promulgation of the Glass-Steagall Act. The Nye hearings did not little to endear the government to munitions makers. The increasing power of the UAW and auto code set by the NRA in 1933-34 contributed to Henry Ford developing "an almost 'psychopathic'" personal dislike of Roosevelt. Ford refused to sign the auto code, which prompted government boycotts of Ford cars. In light of these attitudes and the conflict-ridden relationship with a government seemingly bent on creating a socialist revolution, there were obvious incentives for American big businesses, especially those involved in finance and heavy industries, not to support Roosevelt, and perhaps even plan for his overthrow.

In the case of Hitler and Germany, the old standard (or new neo-Marxist) assertion was that Hitler garnered the support of big business by promising to
eliminate trade unions and pledging subsidies to various industries. According
Henry Turner's revisionist version, Hitler did not promise any anti-union measures
or direct subsidies to industries prior to 1933, but was merely viewed by big
business as a convenient mass movement which could possibly dampen the
communist threat by absorbing leftist elements of society into the party, thereby
undermining the power of the Communist Party. Admittedly, as Turner has pointed
out, Hitler did not promise any direct subsidies or anti-labor measures prior to
becoming Chancellor; however, Turner has somewhat underemphasized the role
of the Communist threat. The success of the Communist Party in the 1930 and the
two 1932 elections meant that there was a real threat against German big business
from the left, against which National Socialism appeared to provide a bulwark.
Hitler was aware of that the Nazi ability to defuse Communism was a bait that could
lead big business into support of, or acquiescence to, Hitler and the Nazis' rise to
power, as indicated by the fact that at the key meeting of Feb. 20, 1933, though he
did not promise anti-union measures, Hitler did invoke the Communist threat by
stating that the only remaining choices to be made were either Nazism or
Communism.\textsuperscript{185}

Also, prior to 1932, although Hitler did not stop Nazi papers from attacking IG
Farben, Hitler did not openly attack Krupp,\textsuperscript{186} nor did he make efforts to advertise
his anti-Semitism, recognizing that this view was unpopular among business
circles.\textsuperscript{187} Furthermore, the presence of individuals within the Nazi party who were
identified as moderates, such as Herman Göring and Gregor Strasser, held out
hope to business interests that the Nazi economic policy could be shaped from
within by funding these individuals. After the 1930 election, the entry of Hjalmar
Schacht, the former director of the Reichsbank who was highly regarded in
business circles, in the Nazi orbit, plus the open support of steel magnate Fritz
Thyssen, Emile Gregor Stauss, a prominent banker, and former economic
journalist Walther Funk, further heightened hopes for reforming the Nazis from within. Turner has pointed to Gregor Strasser's resignation from all party posts in December 1932 as a deterrent to further big business support of the Nazis. Although Strasser's resignation increased business interests' doubts about Hitler, the overemphasis on Strasser underestimates Schacht's role as the business-Nazi mediator (and Hitler's treasurer), and can hardly adequately explain why Krupp and IG Farben contributed to the Nazi cause in February and spring of 1933. Therefore, despite the revisionist efforts which have greatly clarified and qualified the big business-Nazi connections, the German konzern still had more obvious 'rational' reasons to engage in "flirtations of varying intensity and duration with National Socialism," up to March 1933, than Mitsui had in supporting Kita and the Kōdōha up to 1936.

In Japan, by the time of the Mitsui tenkō, the leftist parties and labor unions no longer posed a serious threat to the zaibatsu. In fact, aside from the Hamaguchi Cabinet, party cabinets had consistently made efforts to suppress the left. Mass crackdowns on the J.C.P. were started in 1928, under the Tanaka Seiyukai Cabinet. Only a small percentage of the labor force was organized, and moreover, the mainstream labor organization, the Sōdōmei, had expelled its leftist elements in 1925. After the 1928 mass arrests, the Sōdōmei adopted an anti-Communist line, and in 1931-33, several socialists and Communists had converted from the left toward ultranationalism (tenkō).

Furthermore, as of 1932-33, the parties still advocated peaceful expansion, which was in accordance with Mitsui's long-term interests, and not objectionable to the United States, which was beset by internal economic problems. The party cabinets died out after the May 15 Incident in 1932, but individual party representatives continued to be appointed as ministers in subsequent cabinets, in contrast to the more polarized political situation in Germany. Besides, the
government control laws up to 1937, unlike the first New Deal regulations of 1933-35, either aided most zaibatsu, or at least did not impinge on the self-regulatory rights of the business sector.

In contrast to Hitler and the Nazis, the Japanese ultranationalists and the Kōdōha did not make any effort whatsoever to modify their views to cater to Mitsui or other zaibatsu. Also, though the Tōseiha had comparatively moderate views, especially in 1936-37, nevertheless, they had been connected to the March and October Incidents of 1931. None of the more extremist groups included identifiable moderates either. Even if the Tōseiha were considered the moderate wing of the Army, thus equivalent to the individual moderates in the Nazi party, the fact still remains that Mitsui funded the Kōdōha as well: no German konzern directly funded Ernst Röhm or other extreme anti-business elements in the Nazi party. After 1937, with the decline of the Kōdōha, Hayashi Senjūrō realized the need for cooperation from the Big Four zaibatsu, and approached Ikeda and Yūki to join the cabinet. Yūki agreed to serve as Minister of Finance, and Ikeda eventually became the Minister of Finance and Minister of Commerce and Industry in the first Konoe Cabinet. However, prior to 1937, there were no business representatives who held a position which equalled Schacht’s.192

The old 'conspiracy' theory regarding the zaibatsu-military cooperation in moving the country toward war,193 though incorrect in terms of the intentions of the zaibatsu, was generally applicable to the policies of the zaibatsu after 1932. However, of all the zaibatsu, as has been shown, Mitsui needed the boost from military activities in heavy industries and Manchurian ventures the least of all zaibatsu. Likewise, the argument that the emergence of the bloc economies convinced Japan that peaceful economic expansion was no longer possible, thus, leading to the conclusions that expansion through military means was necessary,194 even if correct with regard to most zaibatsu, in Mitsui's case, Bussan
had already taken countermeasures to the increase in tariffs in the foreign countries during the first half of the 1930's by increasing its emphasis on the domestic market.

However, on one point, it can be said that Mitsui had more incentive to pursue the ryōmen sakusen and support Kita. Mitsui experienced more extensive external pressure than any other single conglomerate, konzern or zaibatsu. Franklin D. Roosevelt took verbal pot shots at the "economic royalists," while Aldos Huxley took on Ford and the mass production system in his *Brave New World*, and in Britain, Bernard Shaw's *Major Barbara* included a speech against munitions makers. However, although two attempts were made on J. P. Morgan, Jr.'s life, once by a deranged German sympathizer in 1915 and another by leftists in 1920, there were no attempts to assassinate any of the high-profile business tycoons in the U. S. in the 30's. Du Pont could refuse to provide loans or assistance to the employees it had laid-off without invoking serious attempts on the lives of the family executives. The absence of militarist or extremist groups willing to kill business leaders in the U. S. (as opposed to the situation in Japan) most likely reflected the disparity in the respective material conditions of the 1920's, the living standards of the average citizen (i.e. not as many American farmers had to sell their daughters), the different traditions of democracy and parliamentary government, and an organized military tradition of the bushidō, as opposed to the scattered canonization of Jesse James and the like, and the different notions on individual responsibility and initiative. Though labor unions were far more organized and less compliant in the U. S., such institutionalized avenues for the expression of hostility and conflict could also have helped alleviate the amount of extra-constitutional external pressures on American big business in the early 30's.

It is true that Hitler had organizations which could mete out violent prescriptions to obstacles to increasing his power. However, the use of physical or
legislative force against big business came only after he was given dictatorial powers. On April 1, 1933, a Nazi squad raided the Reichsverband Berlin headquarters. In May 1933, the Reichsverband 'voluntarily' dissolved itself.\textsuperscript{197} The Nazis extorted the shares of Junkers Airplane Co. from Hugo Junkers and his family in order to gain control of the company during 1933-1934.\textsuperscript{198} Nazi treatment of IG Farben was such that it was basically browbeaten into compliance with the Nazis after the establishment of the Third Reich.\textsuperscript{199} But before March 1933, there were written criticisms, but no instances of physical attacks or threats of such measures against the leading industrialists.\textsuperscript{200} However, differences in the respective external environments were, for the most part, overshadowed the similarities in the responses.

Although German firms had more reasons to support Hitler prior to March 1933, at a general level, both German konzern and Mitsui essentially contributed funds to groups that in many respects advocated policies harmful to the interests of big business. On the other hand, American firms openly resisted government policies, mainly because the absence of external pressures, and no significant efforts were made to change the Democratic Party from within. Du Pont interests, including Pierre, along with Morgan interests and GM executives, formed the American Liberty League, whose intention was to "combat radicalism," (and support the Republicans) and GM and Du Pont were linked to a vigilante anti-labor union movement known as the Black Legion.\textsuperscript{201} Pierre du Pont switched his support to the Republicans in the 1936 election, and other du Ponts also made substantial contributions to the Republicans even though no one expected Alfred Landon to beat Roosevelt.\textsuperscript{202} However, similar to Mitsui, some American business interests discreetly helped an anti-government group which advocated the overthrow of the government by force or a show of force. J. P. Morgan & Co. and Du Pont were implicated in a conspiracy to overthrow Roosevelt by force, the
MacGuire Affair of 1934. The plot called for a march on Washington by a "militantly patriotic" group of veterans, who by the show of force, would effect a peaceful overthrow of the government. Roosevelt would be treated as 'Mussolini had done with the King of Italy': the President would be given the choice of cooperating or being forced to resign. The similarity notwithstanding, since MacGuire, the organizer of the planned coup, was himself employed by a Morgan firm and posed absolutely no threat to big business, this move showed more initiative and sensibility than Mitsui's funding of Kita and the Kōdōha, 'investments' whose returns were not as predictable.203

The Turner thesis for Germany is that the degree of support that Hitler received prior to 1930-32 was weak, the majority of the major industrialists did not fervently support Nazism before 1933, and furthermore, connections and access to Hindenburg was more significant in early 1933 than finances; therefore, even if Hitler's consolidation of power was aided by some financial contributions from the business sector, the overall of the role of big business in Hitler's rise to power was minimal.204 Additionally, Peter Hayes and Henry Turner have both cited rational reasons IG Farben had for not supporting the Nazis (e.g. anti-capitalist statements, anti-Semitism, the Nazi advocacy of economic protectionism, its attacks on IG Farben from as early as 1927), and the declining enthusiasm of big business for the Nazis after the July 1932 election.205 They minimize the importance of IG Farben's initial contacts with the Nazis by pointing out that the contributions were disbursed at the discretion of junior executives, and not Kalle or any of the other senior executives, and that the sums were small anyway. Although these are important points in refuting the IG Farben-Nazi conspiracy theory, yet, the fact remains that the magnate of the chemical industry actively sought to diversify its political investments, either through direct meetings with Hitler or from financial contributions to the Nazis, even before Hitler became Chancellor.
Explanations such as Krupp's possible alarm at Hitler's implied threats to use violence if the election did not return a Reichstag supportive of his regime at the Feb. 20 meeting, or Krupp's extreme loyalty to the state, even if the state happened to be a Nazi state, do not change the fact that IG Farben, Krupp and others helped Hitler's post-January 1933 consolidation of power, or rise to dictatorship by their acquiescence to almost all of Hitler's financial and policy demands. Furthermore, Krupp's talks with trade union leaders tend to undermine the loyalty-to-Germany theory, and the first explanation is a conjecture on Turner's part on the basis of the fact that Krupp did not use his prepared memorandum. Therefore, the consideration of the possible benefits to Krupp's heavy and munitions industries facilities cannot be discounted altogether as a potential reason for Krupp's pledge of support on Feb. 20. Moreover, IG Farben was the single largest contributor to the Nazis in February of 1933, with a contribution of 400,000 marks (compared with Krupp's 150,000 marks from the Feb. 20 meeting). The Ruhr coal interests initially welcomed the Hitler government since many of the policies enacted by the Nazi government matched those advocated earlier by the coal businesses themselves. Essentially, Turner's sharp demarcation of pre- and post-January 1933 big business behavior, and his emphasis on the deteriorating relationship between the Nazis and big business from July 1932 to Jan. 1933, hinders the development of explanations regarding the behavior of the konzern in the transition period between Hitler's Jan. 30 appointment as Chancellor and the March 23 passage of the enabling law. Hitler's Chancellery began in January 1933: the Third Reich began in March 1933. Helping Hitler's "consolidation of power" (rise to dictatorial power) was almost as important in the establishment of the Third Reich and the eventual outbreak of World War II as helping Hitler's "rise to power" (rise to Chancellor).
In Germany and Japan, either as payment for information, protection money against potentially antagonistic rulers, insurance premiums designed to maintain good relations with a particular group in case that group should successfully gain power, or in an attempt to reshape powerful extremist groups by strengthening moderates within. From the perspective of big business, the 'success,' of these political moves depended on the individuals involved feeling a sense of obligation to the 'investor.' In Feb. 1936, Kita saved Ikeda's life; in Feb. 1937, Hayashi asked Ikeda to be his Finance Minister. In 1934, when Thyssen lost favor with Hitler, he complained to the future Führer about the lack of gratitude: Hitler replied, "I never made you any promises...I've nothing to thank you for. What you did was for your own benefit, and wrote it off as an insurance premium"; when Carl Bosch protested against the anti-Semitic policies to Hitler in the summer of 1933, explaining that several leading scientists at IG Farben were Jewish, Hitler informed him that Germany could get along without physics and chemistry for a hundred years if necessary. The Mitsui experience appears to have yielded better short-term results.

In comparing these two sets of examples, some caveats should be made. By my own categorization, Germany of 1933-34 was more analogous to Japan of 1937-38, rather than 1936-37, since sweeping government economic reforms, and business cooperation from within the government, did not begin until 1937 in Japan. As for the German transition period of Jan. 30 to the summer of 1933, a loose equivalent in Japan would be Feb. 26, 1936 to Feb. 7, 1937, since the period between the 2-26 Incident and the formation of the Hayashi Cabinet was the consolidation of the power of the Tōseiha and other advocates of what Maruyama Masao has labelled "fascism from above." Also, in Germany, the systematic violence began after the Nazi consolidation of power, whereas in Japan, the assassinations occurred before the stabilization of the political scene in 1937.
Furthermore, there were differences in the individual political figures involved in terms of personality traits, in their conception of sense of duty and obligation, and their success in obtaining power, among other things. In the German conditions, whether stemming from differences in the impact of the external international environment, its history or from some inherent 'national trait,' the sense of duty and obligation, and the importance of reciprocal long-term relationships were not as highly valued, as indicated by the refusal of the Weimar politicians to stay 'bought.' Hitler's treatment of big business once he became dictator also reflected this lack of interest in developing or retaining long-term cooperative relationships.

In his analysis of the behavior of the American abrasives firm Norton and its subsidiary in Germany, Charles Cheape concluded that "Operators' insensitivity to potential war was not simply a matter of greed, opportunism, or obtuseness," but rather, because they were motivated by the fundamental desire to promote the firm's "long-term health." Turner invoked Weber in excusing the German industrialists in concluding that capitalists were and are "more adaptive than causative," and that rather than shape and initiate the political events, they merely responded to events shaped by others.

However, the political strategies of many German firms, such as IG Farben and Mitsui, ultimately resulted in 'failure' by their own criteria based on "amoral pragmatism and professionalism," in other words, by their own definition of 'success.' Since it is unlikely that any individual, including this writer, has any monopoly on morality, I will take this 'judging by their own standards' cant to heart. The 'failure' of the political reactions and strategies of Mitsui and German konzern was not in that they did not see that the Allies were morally superior; or because they supported their governments in World War II; or in their lack of adherence to democratic principles; or the fact that Mitsui and the German businesses failed to stop the rise of militaristic nationalism and Nazism, respectively; or even that
they failed to protest against war, imperialism and racism. The failure of Mitsui, IG Farben and others, at least by the terms of this paper, was in their inability or unwillingness to follow a course of action which would most likely promote their long-term self-interest. That is, though Mitsui and IG Farben increased their profits during W. W. II (short-term), the longer results were that their autonomy decreased significantly, and in Mitsui's case, the central coordination and its identity as a zaibatsu was eroded; also, both were dissolved after the war. Ikeda and other business executives may not have been pacifists, but they did realize that war meant unpredictable economic conditions, lack of security and stability, increased government controls, and the possible disbursement of "victor's justice" once the war was over. Once war-time economy and militarization intensified, the isolated instances of resistance to the government by Mitsui, IG Farben, Krupp or the Ruhr coal executives over specific investment directives from the respective governments which did not make good business sense, only had short-term significance. Until the war ended, normal business operations could not be conducted.

Viewed from the perspective of short-term interests, both the German big business and Mitsui, in taking preemptive measures to exploit the opportunities that were presented in the existing political environment, behaved very rationally in using strategies of political diversification, through which they actively forged links to movements which held potential benefits (i.e. anti-Communism and possible heavy industries recovery for Germany, and increased heavy and chemical industry demand and Manchurian investment opportunities for Mitsui). However, in pursuing these short-term advantages, Mitsui and the German konzern actually accelerated, or created the opportunities for, the development of trends which were not beneficial to their long-term self-interests. In other words, in the unstable environment, the ryōmen saksuken of the 1930's violated the one article in Mitsui
Takahira Sochiku's 1722 will which Mitsui had managed not to breach until then, Article #4: "Farsightedness is essential in life. Running after small interests at sight, one might lose huge profits in the long run."

In fairness to Ikeda, the dominant praxis of Mitsui's political strategy was either ryōmen sakusen, or maintaining good relations with those in power. Also, considering the instability of the times, and the various elements involved in the tenkō, it would have been quite a feat to forecast accurately past 1936. Furthermore, the ryōmen sakusen was successful in protecting Ikeda in the short run, and possibly contributed to his being approached by Hayashi to be the Finance Minister. Also, Mitsui was coerced into reform to some extent by the threats of violence, and the German konzern were coerced into continued support of the Nazis once the Third Reich was set up. However, although Mitsui was exposed to great external pressures, it was capable of handling these pressures because of its success in business and political terms. Therefore, Mitsui cannot be exempted from criticism on the grounds that their 'conversion' was 'coerced.' The tenkō was a voluntary response to the existing external conditions.

In addition, it should be remembered that "coercion" and "voluntary" were not mutually exclusive. By voluntarily refraining from supporting the political parties (center parties in Germany), Mitsui and some German firms, such as IG Farben and Siemens, helped undermine potential sources of opposition to the trends in their respective external environments. By supporting Hitler before March 1933 before there was significant 'coercion,' but when there were several incentives for 'voluntary' support, whatever the actual amount of financial support, Krupp, IG Farben and others helped Hitler's rise to dictatorial power. By converting to an active role in taking advantage of the trigger effects of the military ventures in Manchuria, and hastily jettisoning connections to the political parties, even when there were not many incentives to do so, Mitsui laid the foundations for the post-
1937 outbreak of war and the rise of government economic interference. Considering the comparative financial stability and prosperity of Mitsui, Ikeda did not need to push Mitsui into such active pursuit of 'patriotic' goals for business reasons. Also, Ikeda did not explore the possibility of refraining from behind-the-scenes political stratagems, as recommended by the family constitution. In other words, because Ikeda's "feel for the times" and "discernment" were too finely attuned to the trends of the times, Mitsui was overly flexible and reactive to the changing external environment. In forging closer links to the military in 1932-36, as was the case with the business reforms, Ikeda played a large role in setting the stage for the decline of the Mitsui Gōmei holding company structure in 1937-40.

It may also be claimed that both Mitsui and the German konzern were in fact gisō tenkō sha (false recanters). However, even if such a claim were true, the fact still remains that in attempting to mithridate themselves against ultranationalism or Nazism, both Mitsui and German big business eventually succumbed to the poisons. This is not meant to be an edifying conclusion. The comparative assessment is merely that in abandoning the existing system of party cabinets, Mitsui displayed an uncharacteristic case of short-term acuity and long-term astigmatism, similar to the behavior displayed by German big business, but even more so, considering that Mitsui had fewer pressing incentives to follow the course that it did. However, as the saying goes, hindsight is twenty-twenty.
Notes for Chapter 3


3 For details see Shiba Takao, "Fukyōki no Ni Dai Zōsen Kigyō-Taishō Kōki no Mitsubishi Zōsen to Kawasaki Zōsenjo" (A Comparative Study of the Two Big Firms in Japanese Shipbuilding Industry during the Post-W.W. I Depression), *Keiei Shigaku*, 18, No. 8 (October 1978), pp. 18. Due in some part to the fact that it did not lay-off nearly as many employees, the Kawasaki Zōsenjo (Shipyard) went bankrupt in 1927.

4 Sakamoto Fujiyoshi, p. 200.

5 Yamazaki Hiroaki, "Nihon Shōshashi," p. 174; and *Mitsubishi Shōji Shashin*, Vol. 1, p. 258. Also see Table III, IV, V, and VI.


7 Arisawa, p. 129.

8 Wada, *Mitsui*, pp. 355-357.

9 Iwai, pp. 330-331.


12 Tamaki, p. 260.

15 See Ibid., p. 337.
16 Mitsubishi Seikō 40-nen shi, pp. 139, 146.
17 Takahashi and Aoyama, Nihon Zaibatsu Ron, pp. 160-162.
20 Ibid., pp. 273-274.
21 See Takahashi Nihon Zaibatsu no Kaibō, p. 127.
22 Asajima, Mitsubishi no Kinyū, pp. 253-339.
23 Mishima, Mitsubishi, p. 43; Asajima, Mitsubishi no Kinyū, p. 254.
25 See for example, Chūō Kōron, Tōyō Keizai Shinpō, and Japan Today and Tomorrow.
26 Kawada, p. 134.
27 Tōyō Keizai Shinpō, No. 1447, May 7, 1931, pp. 1091.
29 The Mitsui figure is calculated from Wada, Mitsui, pp. 322-333; Mitsubishi figure from Hatate Isao, Nihon no Zaibatsu to Mitsubishi (Tokyo: Rakuyū Shobō, 1978), p. 312.
30 Iwai, Mitsubishi, p. 215.
32 Fukuzawa Momosuke, pp. 97-99.
For more details see Matsushita Denkichi, Zaibatsu Yasuda no Shinenkyo (Tokyo: Chūgai Sangyō, 1937), pp. 270-274.

Kojima, Zaikajin no Jinsenkan-Seikikan, pp. 105-106.

Morikawa, Business History of the Zaibatsu, Table 55.

See for example Obama, "Yon Dai Konzernu," p. 324; and Suzuki Mosaburō, Nihon Zaibatsu Ron, p. 166.


Yasuda Hözensha, pp. 672-695.

Takahashi and Aoyama, Nihon Zaibatsu Ron, pp. 166-167.


Kikuchi, p. 31.

On the new zaibatsu see Chapter II-B.

"Kawasaki" refers to the holdings and subsidiaries of the Kawasaki family, rather than the more heavy industries oriented Matsukata companies, which are also frequently called the Kawasaki zaibatsu.


Mishima, Hanshin, p. 413.

Mishima Yasuo, "Yamaguchi Zaibatsu no Hatten to Kaitai-Chū Kibo Kinyū Zaibatsu no Kenkyū" (The Development and Dissolution of the Yamaguchi Zaibatsu), Keiei Shigaku, 18, No. 2 (July 1983), 31, 48-49; and Mishima, Hanshin, p. 327.
Suzuki Mosaburo, Zaikaijin Hyōron, p. 111.


Kawada, p. 165.

Mishima, Hanshin, p. 148.


However, compared to Sumitomo, Asano was more reliant on the government. Also, simply because Asano took advantage of indirect links to the government through Shibusawa did not mean that Asano did not have seishō origins, as is argued in Morikawa, Business History of the Zaibatsu, pp. 91-92 (on the basis of a different definition of "seishō"). Indirect or direct, Asano still used connections with the government in early Meiji to promote his long-term self-interest.


Morikawa, Zaibatsu no Keieishi, pp. 87-90; and Hirschmeier, Origins of Entrepreneurship, pp. 236-237, 243. Furukawa received loans from Shibusawa, but this by itself does not make Furukawa Ichibei as a seishō. In contrast to Asano, at this stage, Furukawa did not use his link to Shibusawa to maintain indirect connections with the government.

For details on the Nakajima-Furukawa conflict see Morikawa, Zaibatsu no Keieishi, pp. 149-150.

For one example of this assumption in post-war studies see Johnson pp. 102, 109, where Johnson describes Nakajima Kumakichi, one of the most influential members of the Commerce and Industry Deliberation Council within the Ministry of Commerce and Industry, as being "of the Furukawa zaibatsu." This is a common presumption.


Tsuchiya, pp. 121-127.
62 See Kojima, Zaikaijin no Jinseikan-Seikōkan, pp. 82-83.

63 Katsuda, pp. 40-42.

64 Nishinoiri, p. 58, 64. Shiraishi was Sōichirō's son-in-law.

65 Mishima, "Yamaguchi Zaibatsu," p. 49.


67 Nishinoiri, p. 72.

68 Takahashi and Aoyama, Nihon Zaibatsu Ron, pp. 160-162; and Takahashi, Nihon Zaibatsu no Kaibō, p. 257.

69 Takahashi and Aoyama, Nihon Zaibatsu Ron, pp. 166-167.

70 Nishinoiri, pp. 324-325.

71 For detail see Suzuki Mosaburō, Nihon Zaibatsu Ron, p. 218.

72 Suzuki Mosaburō, Zaikaijin Hyōron, p. 142; Mishima, Hanshin, pp. 122-124.


74 See for example Mitsubishi Shōji Sha shi, pp. 258-259.

75 For details see Suzuki Mosaburō, Zaikaijin Hyōron, p. 125.

76 Nakamura Seishi, "Taisho, Showa Shoki no Ōkura Zaibatsu" (The Ōkura Zaibatsu in Taisho and Early Showa), Keiei Shigaku, 15, No. 3 (December 1980), 66.

77 For details and statistics see Ibid., pp. 66-68.

78 The present-day Sumitomo Shōji grew out of the pre-war real estate company which was acquired from Fujita. See Sumitomo Shōji Sha shi (Osaka: Sumitomo Shōji, 1972), pp. 1-74.
For details see, for example, Sakudō Yotarō, ed., *Sumitomo Zaibatsu* (Tokyo: Nihon Keizai Shinbunsha, 1982), pp. 77-117; and Tsuchiya, pp. 170-172.

Tsuchiya, pp. 161-178.


Kawada, p. 97.

Yugawa Kankichi and Akiyama Takemirō were two such examples. See Ibid., pp. 159-160.


For a list of the Sumitomo subsidiaries whose shares were sold up to 1937 see Asajima Shōichi, *Senkanki Sumitomo Zaibatsu Keieishi* (Tokyo: Tokyo Daigaku Shuppan, 1983), p. 498.

See Kawada, pp. 138-139.

*Sumitomo Ginkō 80-nen shi*, p. 304.


"Higeki no Saishō o Tasuketa Sumitomo Sōriji," *Rekishi Tokuhon*, p. 54.

Tsuchiya, pp. 162-163.

Kawada, p. 137.

For details see Sakudō, pp. 266-268, 280-288.

Kawada, p. 152.


For comparative studies in some of these areas see Yasuoka Shigeaki, "Zaibatsu no Hikakuteki Kenkyū no Sobyo" (A Rough Sketch of Comparative Studies of Zaibatsu [Big Business]), in Zaibatsu no Hikakuteki Kenkyū, ed. Yasuoka Shigeaki, pp. 2-33; Mira Wilkins, "Japanese Multinational Enterprises before 1914," Business History Review, 60, No. 2 (Summer 1986), 199-231; and Nakagawa Keiichirō, Strategy and Structure of Big Business (Tokyo: Tokyo University Press, 1976), pp. 121-200.


Hirschmeier and Yui, p. 175.


See Turner, pp. 28-29, 370, n. 28-30. However, there were some doantions by individual executives (not acting as representatives of their corporations) to their university alma maters and cases of housing programs for


111 Abels, pp. 356-357.

112 Russell, p. 4.


114 My use of the terms "welfare capitalism," "paternalism" and "welfarism" are not pejorative, as is the case with most of the works on U. S. industrial relations. See especially Stuart D. Brandes, American Welfare Capitalism. 1880-1940 (Chicago: University of Chicago Press, 1976), p. 137. The debate over its decline or rise of welfare capitalism in the 1930-1937 period appears to be caused in part from the lack of a uniformly accepted definition for the terms. The essence of paternalism was not in the company-organized recreation and social programs, but rather, in positive worker incentives (financial or other) in general; thus, the decline of the leisure time policies in the early 30's did not necessarily mean the end of American corporate paternalism as a whole.


120 Ogura Masatsune, p. 284.


122 Amakawa, p. 28.


124 Brandes, pp. 137-143.

125 Lewis, p. 232.

126 For details see Forbes, pp. 176-179, 184-185; Hoyt, pp. 381-386, 394-395; and Zilg, p. 337, who claims that Winthrop Aldrich, chairman of the Chase National Bank (Rockefeller), promoted the Banking Law in order to undercut Morgan’s power.

127 Forbes, p. 171.

128 Ibid., pp. 192-193.


130 See Jacoby, pp. 207-239.

132 Amakawa, pp. 48-49.

133 Alfred Sloan quoted in Kuhn, p. 51.

134 Amakawa, p. 47.

135 Heald, pp. 178-179.

136 Taylor and Sudnik, p. 147, 320.

137 See for example, "Mr. Junior's Beneficiences: An Audit," *Fortune*.

138 "U. S. Steel," *Fortune*, 13, No. 4 (April 1936), 134-147; Schatz, p. 67.


140 Kuhn, pp. 209-223, 279-287.


144 For the Mitsui structure of the decision-making process and the official roles of the family heads see *Mitsui Jigyō shi*, Vol. 3-1, pp. 289-290.

145 Scott, pp. 158-166.

146 See Mochikabu Kaisha Seiri linkai, Vol. 2, Figure 12.

147 See Scott, pp. 167-191, 238-256.


150 Lévy-Leboyer, pp. 135-136.


152 Tarbell, Owen D. Young, p. 233.

153 Kuhn, p. 52.


155 Reader, pp. 131-138, 236-238.


158 Ibid., pp. 447-448.

159 On Ford, see Lewis, p. 237. On Vickers-Armstrong, see Scott, pp. 158-167, 191. Vickers-Armstrong attempted to sell its shares of Wanishi Iron and Nihon Seikōjo shares, but the terms of the transfer could not be agreed upon. On VSt, see Feldenkirchen, pp. 424-425. On Krupp, see Pohl, p. 80.

160 On Unilever see Charles Wilson, "The Multinational in Historical Perspective," in Strategy and Structure of Big Business, ed. Nakagawa Keiichirō, pp. 274, 277, 281-286; and on ICI see Reader, pp. 8, 37; and Taylor and Sudnik, pp. 132-137.
161 O'Connor, pp. 310-311.

162 Zilg, pp. 207, 239. Alfred du Pont, who did not have interests in the Du Pont Co., and considered the family rebel, also supported the Democrats in 1922.


164 Zilg, pp. 239-242.

165 O'Connor, p. 266.

166 As late as 1929, Mellon was voted the third greatest businessman in one poll, behind Owen Young and Henry Ford. O'Connor, p. 311. The Young-Ford-Mellon podium could be viewed as a spectrum in itself in terms of attitudes regarding the relationship of the firm to the larger society. Mellon, as is well known, contributed substantial sums to educational institutions as an individual, rather than as part of any corporate sense of duty to society. Furthermore, he consciously abstained from donating to non-university projects.


168 See Lewis, p. 232; and Zilg, p. 260.


172 Hayes, p. 54.

173 See Zilg, p. 276.

174 See Forbes, p. 175.


176 Ibid., p. 248.
For details see Ibid., p. 246-249, 261; and Hayes, p. 63.


Turner, pp. 223-225, 293-295.

On Krupp see Batty, p. 156; on IG Farben see Hayes, pp. 55-59.

Turner, p. 334.

Zilg, p. 287.


Lewis, pp. 241-245, 272.

Turner, pp. 329-332. The absence of anti-labor promises contrasts with the older accounts such as those in Manchester, p. 154; Muhlen, p. 154; and Batty, p. 159.

Batty, p. 157.

Turner, pp. 247, 253, 336, 343.

For details see Ibid., pp. 142-145; Hayes, pp. 125-161.

After the war, Schacht claimed that he attempted to "put brakes on Nazis and manoeuvre them onto a moderate course." Norbert Muhlen, *The Rise, Fall and Comeback of Germany's Industrial Family* (New York: Henry Holt, 1959), p. 153. Admittedly, though this statement was an obviously convenient version for Schacht, the fact remains that the perception of Schacht within Germany and abroad was that he was the mediator between the Nazis and big business.

Turner, pp. 309, 311.

See Ibid., p. 342.

See the 1938 discussion of "Who is Japan's Schacht?" a chapter in Suzuki Mosaburō's *Zaikai Jinbutsu Tokuhon*, pp. 159-180, where he assesses the roles of Yūki, Ikeda and Tsuda Shingō of Kanebō, who had ties to several Army
officers, in politics. Suzuki's position as one of the few 'true' socialist politicians notwithstanding, he does not carry this analogy back to the pre-1936-37 period.


194 See for example Halliday, pp. 129-131.


196 See Zilg, pp. 262-263.

197 Turner, pp. 336-337.


199 Hayes, pp. 92-94, 125-161. Fritz Haber (of the Haber-Bosch method fame), who was Jewish, left Germany in 1933.

200 A study of the Ruhr coal industry in the Third Reich concluded that business had more autonomy under Hitler than has been assumed in the past. See John Gillingham, Industry and Politics in the Third Reich: Ruhr Coal, Hitler and Europe (London: Methuen, 1985).

201 For details see Zilg, pp. 290-291, 327-330. Apparently, the Black Legion was closely connected to the KKK.

202 Ibid., pp. 322-326.

203 For details see Ibid., pp. 292-298.

204 See Turner. For a brief summary of his arguments see pp. 341-349.

205 As opposed to the support reaching a crescendo in summer and autumn of 1932 as is argued in Abraham, pp. 321-322.


207 Batty, pp. 154-157.
Krupp's Essen factory's iron production doubled from 1933 to 1934. For
details see Minobe Toryokichi, "Kumon suru Doitsu Keizai" (The German Economy
in Agony), Chūō Kōron, Nov. 1934, p. 91.

Arthur Schweitzer, Big Business in the Third Reich (Bloomington:

Batty, p. 159.

Gillingham, pp. 32-33.

Turner, pp. 337, 339.

This categorization is not related to directly the role of military
expenditures in facilitating the growth of the economy. According to one study,
military expenditures in Germany were not as important before 1936 as has been

Maruyama Masao, Thought and Behavior in Modern Japanese Politics
(Oxford University Press, 1968), pp. 26-33, 65. Maruyama considers 1919-31 the
preparatory period, 1931-36 the mature stage, and 1936-45 the last stage of
'fascism' in Japan. However, the Kōdōha-Tōseiha conflict was not necessarily
aligned along junior-senior lines. See Crowley, "Japanese Army Factionalism,"
pp. 309-326.


Turner, p. 343.

Hayes, p. xvi.

The conclusion in Edwards, p. 118. The Nye hearings prove that even
the 'laissez-faire' U. S. A. did not appreciate American firms dealing with the enemy
during World War I. In Canada, similarly, reactions to Canadian nickel being sold
to Germany during World War I was not admiration for the entrepreneurism of the
nickel mine operators. See for example Henri Bourassa, The Duty of Canada at
the Present Hour (Montreal: Le Devoir, 1914), pp. 29-30: "The German bullet that
will pierce the forehead or the breast of our Canadian boys has been hardened
with Canadian nickel."

Since the Emperor, Saionji and the jūshin (senior statesmen) and
parties themselves could not control the military, it is true that Mitsui and the other
zaibatsu could not have been expected to halt the plans for war with China, the
Soviet Union and/or the U. S. See Morikawa, Business History, p. 388. The
Weimar politicians, such as von Papen and Schleicher among others, themselves underestimated Hitler, so it can be said that the politicians in Germany failed in judgement and action.

220 After all, no one has yet to criticize Rockefeller or any other American philanthropists for giving money in 1923-24 to a country that massacred thousands of Koreans (and Communists) for 'causing' an earthquake.

221 See Turner, p. 343.

222 This term was used for leftist Ozaki Hotsumi, who was linked to the Sorge spy ring.
CONCLUSION

Imagine an alien, Fox once said, who's come here to identify the planet's dominant form of intelligence. The alien has a look, then chooses. What do you think he picks? I probably shrugged.

The zaibatsus, Fox said...The blood of a zaibatsu is information, not people. The structure is independent of the individual lives that comprise it. Corporation as life form...

Not the Edge lecture again, I said...

-- from the story "New Rose Hotel" by William Gibson

"The stupid little things in life take precedence...Finish the little things first, then go on to bigger things." -- Dan Takuma (1910)

In 1936, Fortune described Mitsui as the "the most diversified private capital in the world." Truly a financial cathedral of Gothic proportions, the Mitsui zaibatsu cast its shadow on nearly every facet of the interwar Japanese economy, maintaining its seemingly limitless growth into the 1930's like a Tower of Babylon on steroids. The questions posed in the Introduction arose from the sudden effectuation of what ostensibly appeared to be a complete restructuring of the Mitsui zaibatsu architecture in response to the assassination of its head executive - Mitsui zaibatsu tenkō. These reforms were shaped by various factors, including long and short-term trends, and addressed several different objectives, one of which was, amazingly enough, the facilitation of further growth.

The first chapter showed that the major causes of the tenkō were external pressures directed against Mitsui, which arose from the economic dislocation resulting from the Showa Depression, the perception of an unsanitary alliance between the parties and the zaibatsu, the perception on the part of the general populace and the military that the party cabinets were ineffective, the developments
on the foreign affairs front, the rise of militarism and ultranationalism, and the 'unpatriotic' conduct of the zaibatsu, all of which brought about a perception of systemic crisis. The external factors, plus Mitsui's comparatively strong performance through the Showa Depression, its unmatched success, and its methods of generating that success, combined to crystallize the matrix from which the anti-Mitsui attacks arose. Wada Hidekichi described the Mitsui tenkō as merely "the sunset to the day" which had started after Ikeda's trip to the Europe and the U. S. However, as was seen, Ikeda's motivations were clearly more calculating than Wada believed, and furthermore, without the external pressures, Ikeda's sun would most likely have stayed behind the clouds, since there were not enough incentives, public relations, business or political, or otherwise, to undertake reforms which involved large disbursements of money for public relations, and moreover, aimed at the weakening of the power and control of the Mitsui family and Mitsui Gōmei within the zaibatsu. The precedents and long-term developments in Mitsui's history did not cause the tenkō, but shaped and guided the specific reform policies.

Dan's assassination paved the way for the eventual ascension of Ikeda from Mitsui Bank head executive, to head executive of Mitsui Gōmei. Ikeda was given an opportunity to implement his strategies. In the second chapter, the objectives, the strategies, and the shaping factors of the tenkō were analyzed. The tenkō consisted of the six policies designed to meet the public relations objective of the improvement of Mitsui's image with the general population, the military, and the civilian ultranationalists in order to deflect criticism and terrorist attacks; the business goal of the facilitation of continued growth of the Mitsui zaibatsu while retaining Mitsui control (not necessarily through Gōmei) of as many of its key subsidiaries as possible; and the political goal of the retention or establishment of good relations with the wielders, or potential wielders, of political power, in an attempt to synchronize Mitsui with the existing external market and political
environment. These goals were intended to fulfill the fundamental, first-level objective of the maximization of Mitsui's long-term survival and prosperity.

These individual policies consisted of (1) the establishment of the Mitsui Hō-onkai; (2) the resignation of Mitsui family members of company presidencies; (3) the forced resignation of Yasukawa Yūnosuke; (4) the implementation of a retirement age system; (5) the kabushiki kōkai as kata-gawari; (6) the disbursement of financial support to extremists factions and organizations, the establishment and expansion of the intelligence network, and the jettisoning of connections to the parties.

For the first three policies there were precedents in Mitsui's history for donations, family head resignations during reform periods, and the removal of individuals who assumed the blame for the zaibatsu as a whole. The first policy was innovative in Japan's corporate history in terms of the scale and the regulated nature of the donations. Although Mitsui had been making donations during the Taisho and early Showa years, such a systematic attempt to change public image through corporate philanthropy had not been seen before in Japan. However, the Hō-onkai failed to instill an association of nouns of generosity with the Mitsui name. But then again, neither did establishment of the Hō-onkai incite a renewal of violent attacks on Mitsui. However, the large donations did contribute to the cumulative increase of demands for funds from Gōmei, especially since the amount of donations for 1937-40 exceeded that of 1932-36. In the case of policy two, the decision-making process was streamlined somewhat by the removal of the Mitsui family heads. However, this was not a move from family management to managerial enterprise, since the actual managerial hierarchy had been set up in 1909, and remained essentially unchanged. This was merely one further step in the long trend toward the consummation of management form with substance, which had begun even before the term "managerial enterprise" had been invented.
The third policy was a manifestation of a long-running series of internal rivalries at the executive level within Mitsui. The removal of Yasukawa was just as much a testimony to the consolidation of Ikeda’s hegemony over the other executives, as it was an assertion of Mitsui’s social responsibility. The retirement policy was also innovative for Mitsui, but other zaibatsu had already instituted similar policies well before 1936.

The kata-gawari was effective in meeting the various demand for funds from the increasing donations, tax payments, loan payments, and capital increases for subsidiaries in heavy and chemical industries, and investments into Manchuria. However, in fulfilling the business goals for 1932-36, the kata-gawari did not generate sufficient influx of outside capital to keep up with the intensification of the economic trends and government controls after 1937, but in fact helped augment the growth of the capital demands by encouraging expansion through internal funds. Thus, the kata-gawari during 1932-36 laid the foundation of the eventual collapse of Gōmei’s effectiveness and efficiency as a holding company.

Furthermore, because the demands for liquid assets were far greater for 1937-40 than 1932-36, it can also be concluded that the kata-gawari was less motivated by the business considerations than is usually assumed in business histories. That is, although Ikeda had data which would have enabled him to forecast most of the economic trends, there is no indication that Ikeda anticipated the acceleration of the economic and political trends after 1937. Additionally, it should be noted that the Mitsui tenkō was not a move into heavy and chemical industries but rather, a growth in heavy and chemical industries subsidiaries. Mitsui (and Mitsubishi and Sumitomo) had already developed its heavy and chemical industries base before the Manchurian Incident, as shown in Chapter I and II. Furthermore, the new zaibatsu were competitive, or ahead of Mitsui in several of the chemical industries and metals production, so that the simple act of conducting a tenkō did not grant...
Mitsui an automatic monopoly in any industry, since competition was already present. In other words, the kata-gawari was used to facilitate qualitative growth, not horizontal diversification. In moving into Manchuria, Mitsui did convert to a policy of active cooperation with the military since the activities of the Army in Manchuria created the demand for the heavy and chemical industry products. However, in pursuing the short-term benefits presented by the trigger effect of the escalation of military activity, Ikeda and Mitsui helped propel Japan toward open war. Whatever Ikeda’s moderating influence or anti-war efforts in the first Konoe Cabinet, the fact still remains that Ikeda himself laid down the carpet for the increased rise of the military by converting from an anti-military expansion position to a more expedient, short-sighted plan to exploit the military activities. However, in initiating the systematic horizontal reallocation of financial control to Bussan, Kōzan, Trust and Seimei, Ikeda and Mitsui established the prototype for the more horizontal and extensive interlocking shareholding of the post-war keiretsu. Also the fact that there were no clear precedents renders this policy very innovative and effective in meeting Mitsui’s objectives during 1933-36.

In contrast, the sixth policy was based on a solid tradition of seishō behavior. The ryōmen sakusen precedents set in the Meiji Restoration proved to be the springboard for Mitsui rise to economic preeminence, and set a precedent for courting all aspirants to political power, whatever their agendas, as long as there was a chance of the group gaining political power. Seen from a comparative chronological perspective, Ikeda had fewer reasons to abandon the parties then Minomura did in abandoning the bakufu. It is a temptation to call Ikeda’s sixth policy an atavism. However, this would give the misleading impression that Nakamigawa’s policies had been continued after his death, when in fact, Nakamigawa’s reforms in Mitsui’s political dealings constituted a brief aberration in the political history of the Mitsui zaibatsu. Masuda followed in the wake of
Minomura Rizaemon's precedent, as did Ariga, and Ikeda also set sail along the course charted by Minomura. However, in following the nyōmen sakusen, Ikeda was overly "discerning" and in tune with the trends of the times, thereby leading to an overly calculative, hasty jettisoning of party connections. Instead of supporting a side which advocated a foreign policy in harmony with Mitsui's long-term self-interest, Ikeda merely attempted to buy into the groups which held either the most threat or the most likelihood of gaining power. Like the cooperation with the military in investing in Manchuria, the policy of political diversification yielded short-term returns -- Ikeda's life was saved during the 2-26 Incident, and eventually Ikeda did become Finance Minister for a brief period. Nevertheless, considering the fact that Ikeda and most of the business sector had cooperated with the military as long it was profitable, Ikeda and Yūki's protests over government economic controls and the opening of the China War have a hypocritical ring. Even though Ikeda was not motivated by any deep sense of pacifism or "liberalism," he was not for war because it was not in Mitsui's long-term self-interest; but in carrying out the tenkō in 1932-36, Ikeda had already undermined his own power to oppose the military.

The fundamental reason for the deterioration of Mitsui's holding company structure was that the objectives themselves were not "befitting of the times." Although one observer has concluded that beginning in 1932, Mitsui Gōmei "had to change its raison d'etre to cope with the new environment," in actuality, although the strategy of the kata-gawari was innovative, Mitsui's 'raison d'etre' did not change at all. Ikeda's policies were intended to facilitate expansion while retaining the maximum amount of Mitsui ownership possible to control the subsidiaries, a goal which was essentially unchanged from before, and impossible to satisfy over the long-run. Ikeda's strategies in the political arena were also designed to fulfill objectives which had been established by Minomura in 1867-68.

By comparing Mitsui's reactions with those of other zaibatsu, it was seen that
the developmental pattern was an essential shaping factor or functional stimulus in determining the course of the reforms of each zaibatsu. The abortion of Nakamigawa's reforms becomes even more significant in this light. The internal business factors and matters of survival played far larger roles in causing the reforms of the other zaibatsu, which helped most of the other zaibatsu escape criticism. In keeping with its tradition, Mitsui moved into the arcane backroom intricacies of pre-war Japanese ultranationalist politics in an attempt to continue its symbiotic relationship with whoever might hold the political power. In contrast, most mid-sized zaibatsu refrained from further embroilment in politics, content to let revenues from the new wave of growth in the heavy and chemical industries shore their relatively leaky structures. Yasuda's growth, and the criticism directed against it, was restricted by its abstention from political activity, and from its lack of heavy and chemical industries companies, which mean that it was not necessary for Yasuda to 'convert.' Mitsubishi's reforms were the most similar to Mitsui's, but Mitsubishi also had more internal business difficulties during the Depression. Moreover, since a higher portion of its paid-up capital was tied up in heavy and chemical industries, Mitsubishi was more reliant on the trigger-effect from the increased military demand for its overall prosperity. Furthermore, due to Mitsubishi's close association with the term "seishō," Iwasaki Koyata made more efforts than Mitsui to advertise Mitsubishi's nationalism in the 1920's. Also, with Koyata's simple philosophy of 'duty to the nation,' Mitsubishi complied with almost every single government request, whether it was the building of military airplanes, joining Nippon Seitetsu, building Navy ships at Heavy Industries Co., building tanks for the Army at Mitsubishi Seikō, or importing technology for synthetic oil and auto parts manufacturing. Sumitomo had been the zaibatsu antonym to Mitsui in terms of political activities prior to 1932-36. Its developmental history was the least seishō-like of all the zaibatsu, and it was able to escape the reactions to the Dollar-
Buying Scandal in part because of its avoidance of the political arena. However, after 1932, Sumitomo became active in politics, while Mitsubishi was withdrawing from the political scene. Similar to Mitsui, Sumitomo followed a ryōmen sakusen in that it made efforts to ingratiate itself with the military, yet it supported the Minseitō in the 1936 elections. Nonetheless, Sumitomo's measures showed more initiative than Mitsui's since Sumitomo attempted to oppose the existing trends and generate favorable external conditions, rather than merely adjust the extant trends toward its own advantage through money.

In comparisons with some Western big businesses, although the history of systemized corporate philanthropy and public relations in the U. S. was longer than in Japan, in the 1930's, due to the external pressures, the American business titans behaved very similarly to Mitsui. This concern with the relationship between business and the larger society was also reflected in more-customer oriented marketing in several areas of the industry. The organizational structure of most Western businesses did not undergo restructuring as a result of the external environment of the 30's (as opposed to the 20's), nor were active owners forced to withdraw from their positions. Notwithstanding the apparent assumption on the part of some scholars of a Voltairean conception of corporate development, with the U. S. model as the barometer of 'advancement,' or 'backwardness,' whatever the form of managerial hierarchy, the de facto managerial power (as opposed to financial ownership) of the owners at Du Pont, Ford, Morgan, as well as a number of firms in Britain, far outweighed the managerial power of the Mitsui clan in the 1930's. Because of this fact, Mitsui could afford to have its owners resign from the presidencies of the subsidiaries, since it was in a unique position to be able to use such a move without undergoing any significant changes its managerial structure. However, there was a common point among the executives in that Ikeda, Sloan and Young all desired managerial autonomy, though the shackles in each case
were slightly different. In the area of political connections, Mitsui's move to
discard ties to the parties was more preemptive than the behavior of the German
firms, since there were fewer incentives for Mitsui's jettisoning of the parties. Also,
due to the less heterogeneous nature of Hitler's government, the German konzern
had less leeway after March 1933, whereas Mitsui was not subjected to
disadvantageous government controls until 1937, and even afterward, had more
freedom then in Germany. However, in both cases, by not taking steps to counter
Nazism or militarism in the early stages, but instead, supporting or acquiescing to
the respective movements, both Mitsui and many of the German konzerns lost sight
of the long-term self-interest, and to a large extent paved the way for their own loss
of autonomy in the war years.

Generally, in addition to the causes, the objectives, the strategies, and the
factors which shaped them, some other conclusions can be drawn. First, the
comparisons indicate the falsity of lumping all zaibatsu together as if they were
some homogeneous unity. Simply because Mitsui withdrew its support of political
parties by 1936 did not mean that all zaibatsu did the same, nor did Sumitomo's
support of the Minseitō indicate that all other politically active zaibatsu still funded
the political parties. Of course, neither was the reverse true: the zaibatsu were not
inextricably tied up in a Machiavellian Darwinian race with each other for survival,
as is portrayed by Tanin and Yohan. Moreover, the comparisons highlight the fact
that Mitsui was very atypical in its success. Although Mitsui has been described as
the 'representative zaibatsu,' no other zaibatsu was as financially stable or
politically influential in 1932. When a business entity occupies a dominant position
in the economy as Mitsui did, although it may be a 'paragon,' it cannot be 'typical'
or 'representative.'

Second, the behavior we encountered from the study of the Mitsui tenkō
indicates that at the fundamental, first-level objective, there is and was absolutely
no difference between Japanese zaibatsu behavior and that of Western big businesses. In past and recent efforts to define the distinctively "Japanese traits" of its capitalism, especially in studies of the post-war Japanese corporate system, such catch-words as 'unity,' 'harmony,' 'consensus,' 'hierarchy,' and 'familism' have become incantations for invoking the unique identity of Japanese capitalism. In the comparisons with the West, there were specific examples which showed that cultural differences, though a significant factor in Mitsui's history, were secondary to the similarities between Western big business and Mitsui in the approaches to the fundamental objective of furthering the long-term self-interest. The differences between the supposedly 'laissez-faire' West and the Japanese business ideology of the duty of benevolence, hierarchical thinking, public over private, moral and spiritual over material, and conforming to larger needs, has been shown to diminish under similar external conditions, as was the case in the 1930's. Cooperation, giri (obligation) and ninjo (sympathy) may exclude the short-term profit maximization motive, but it does not eliminate long-term profits or long-term self-interest. The distinctions between the Japanese goals of 'security and stability' as opposed to the 'profit-motive' are not real distinctions in that security and stability usually results in the maximization of profits over the long-run. In discussing of the obligatory relationship between businesses, Ronald Dore, used the analogy of marriage. Analyzing the occasional "divorce," Dore states: "the break has to be justified by accusing the partner of some failure of goodwill, some lack of benevolence -- or, as the Japanese phrase is more often translated, 'lack of sincerity.'"\textsuperscript{10} In other words, the traditional bonds, as long as they are upheld, were expected to yield reciprocal benefits. When Mitsui felt that the relationships with the bakufu and Ōguri, and later, the political parties, were no longer to its benefit, it conducted divorce proceedings. Self-interest was (is) the cornerstone of this group behavior. Though the pros and cons may not be calculated to the degree they are
in the West, the bottom-line of this 'groupist' behavior was that in pooling resources and extending the definition of "self," there must be benefits in the long-run. Ultimately, when the risks of the relationship outweighed the returns, the relationship was jettisoned.

Therefore, the use of social obligations was and is a rational way to promote long-term self-interest. Value-oriented studies do not de-emphasize 'rationality': they de-emphasize Western conceptions of 'rationality' which focus on efficiency and short-term concrete results. However, aside from partial indifference to the larger economic factors, the tendency of some of the value-oriented studies is to assume that the group-oriented behavior and on, giri, and ninja are ends in themselves, which was not the case in Mitsui's history.

These 'cultural factors' were common to both the West and Japan, as exemplified by industrial relations of the 1920's and 30's, and moreover, were strategies, or second-level objectives, used to attain the first-level goal of long-term self-interest. Relationships based on trust are more desirable than those based on distrust, in both the West and Japan, as Dore has pointed out. As Ikeda observed, "With the English, once you get to know them well, they do things for you without considering gain or loss." The distinctions between 'market rationality' and 'plan rationality' as applied to the Japanese economy take into account the larger, economic factors. However, it should be made explicit that these are differences in strategy, or second-level goals, not in the fundamental objectives.

Again, this is not to deny that differences in the cultural value orientations exist, or that all business enterprises eventually 'converge' on to the same assembly line. Statements such as, "American businessmen and academics alike have praised the Japanese for their 'participatory managerial techniques,' seemingly unaware that Sloan pioneered this practice with GM's management in the 1920's," only serve to illustrate the other extreme of unawareness of such
differences (as if participatory management in Japan began after W. W. II -- Dan's experience at Gōmei testifies to the contrary).

The third conclusion is that like the value-oriented approaches, the systemic approaches to the Mitsui tenkō and the Japanese economy in general, tend to downplay the role of the individual. The business histories of the tenkō kōkai emphasize the numbers, preconditions, the management structure, the results and the systems. However, no matter how sophisticated, ineffective, centralized or decentralized Mitsui's managerial hierarchy was, ultimately, all decisions were made by one head executive, whether it was Minomura, Nakamigawa, Masuda, Dan or Ikeda. In Dan's case, despite his being called "Indecisive Dan," and the tradition of initiative from below, his personal preferences were important in shaping Mitsui's diversification strategy of the 1920's. With Ikeda in 1932-36, the outward consensus was reached by his hegemony over uncooperative executives such as Yasukawa. Although Ikeda himself and Mitsui company histories have depicted Ikeda as a "liberal," his tenkō strategies reflected the fact that there was little or no change in the objectives or the 'raison d'etre' of Ikeda and the Mitsui zaibatsu. In addition, it was Ikeda's ability to 'discern the trends of the times' too clearly which led to the formulation and implementation of policies that resulted in the apparent renunciation of the short-term profit motive, but were actually not beneficial to Mitsui in the long-run. In probably saving Ikeda's life, Kita told the Kōdōha rebels that it made more sense to kill Mitsui Hachiroemon Takakimi than Ikeda, indicating that Kita felt his ties were to Ikeda rather than to the Mitsui family or the Mitsui zaibatsu as a whole. The success of Ikeda's strategies in meeting the objectives led to the eventual deterioration of the Mitsui holding company structure.

Also, in discussing or in neglecting to discuss the role of the individual and social ties, both the cultural and systems-oriented studies appear to imply that all Japanese get along simply because they are Japanese. In cases of Fujihara or
Magoshi, their relationship with Mitsui and most of the executives at Gōmei were harmonious, and the biographical studies indicate that they did have close ties to Mitsui even after they left the Mitsui direct subsidiaries. However, one cannot indiscriminately apply a 'connections are forever' approach to all individuals of the Japanese financial world. For example, it is highly improbable that Nakajima Kumakichi 'represented' Furukawa in the Industrial Club or in the Okada Cabinet merely because he was a director of Furukawa Gōmei at one point. The same can be said of Yūki, though his break from Yasuda did not appear to have resulted in as much antagonism as was the case with Nakajima and Furukawa. In spite of the fact that they were both related to the Iwasaki clan through marriage (thus, with each other as well), Kagami Kenkichi and Inoue Junnosuke did not get along. Another incident serves to illustrate the point that positive connections did not automatically result from the so-called 'invisible' ties: at a Keiō alumni meeting, a fight broke out between Toyokawa Ryōhei and Inukai Tsuyoshi. While these two were fighting and tea and sake cups were being thrown all across the room, Nakamigawa Hikojirō assessed the 'market trends' and refused to leave Fukuzawa Yukichi's side. Although not to overstate the importance of the individual executive and his relationship with other executives and the external environment, in general, it should be remembered that, as Owen D. Young put it, "politics and economics are not masters of men -- they are their servants." That is, in studying managerial hierarchies, organizational systems, cultural values and social frameworks, although these factors were important in shaping the formulation of a strategy or guiding the behavior of a zaibatsu or conglomerate, the fact that these were and are systems and institutions designed and operated by individual humans, or a group of individuals, should not be overlooked.

In William Gibson's fictional vistas of the future, the zaibatsu are huge multi-nationals which have progressed to the point where the structure reigns supreme
over the individual executive, and those with the "Edge" -- "that essential fraction of human talent, non-transferable, locked in the skulls" -- are such rare commodities that they literally need an army to make a career move from one zaibatsu to another. In contrast, John K. Galbraith concluded in his book, The New Industrial State, that the rise of the "technocracy" (management team structure) "dispenses with the need for genius." However, the situation for Mitsui in the 1930's was that although various information systems and conduits for initiative-from-below had been instituted, the managerial hierarchy still rested upon the steersmanship of one executive who could synthesize all information. Thus, the development of the Mitsui 'technostructure' or managerial hierarchy did not result in the devaluation of the skills of the individual executive, but in fact, magnified the importance of the individual. That the importance of the individual executive cannot be underestimated is underscored by the fact that the bridge between the external pressures and Mitsui's reforms, the catalyst for the Mitsui zaibatsu tenkō, was the assassination of Dan Takuma, the man who advised that, "The stupid little things in life take precedence...Finish the little things first, then go on to bigger things," but refused to wear his bulletproof vest because it was "irritating" and "stupid," to have to wear it.
Notes to Conclusion


3 "Men, Yen and Machines," p. 135.


5 For example in ammonium sulphate production, Nichitsu had 33.2% of the national total in 1936, compared to Mitsui's 15.4%; in soda production, Nichitsu had 14.7%, Mori 13.4%, Nissō 12.7% and Mitsui 12.0%. For more examples see Takahashi and Aoyama, *Nihon Zaibatsu Nihon Zaibatsu Ron*, pp. 231-244.

6 Yonekura, pp. 98-99.

7 Of course, the attainment of managerial autonomy or independence was particularly new. In Meiji Japan, businessmen-entrepreneurs openly aspired to managerial autonomy and independence, but from the government, rather than from the stockholders of owners (since in most cases they were the owners). See for example Asano Sōichirō's essay in Kojima, *Zaikaijin no Jinseikan-Seikōkan*, pp. 187-189.

8 See for example Berger's implicit assumption that zaibatsu were essentially united in their policies. Berger, p. 74, n. 62.

9 Tanin and Yohan represent an amusing extreme. Their logic is impeccably consistent, but unfortunately consistently mistaken and unverified. See O. Tanin and E. Yohan, *When Japan Goes to War* (1936; rpt. Westport, Conn.: Martin Lawrence, 1973), pp. 264-265 for example of ludicrous theorizing. They claim that Mitsui killed Inoue Junnosuke and that Sumitomo and Mitsubishi funded the Ketsumeidan so as to eliminate Dan.


13 See Johnson, pp. 18-34, especially 21-22. For example, Johnson's distinction between Western "efficiency" and Japanese "effectiveness," though sensible enough in that he is discussing the Japanese economy as a whole, nevertheless, tends to overemphasize the distinction between "rule" and "goal" oriented behavior as applied to big business.

14 Kuhn, p. 9.


16 Sakamoto Fujiyoshi, p. 192.


18 Galbraith, p. 287.

BIBLIOGRAPHY

I. Japanese Language Works


"Higeki no Saishō o Tasuketa Sumitomo Sōriji" (The Sumitomo Head Executive [Ogura Masatsune] Who Helped the Tragic Premier [Konoe]). *Rekishi Tokuhon*, (Special Issue), 12, No. 10 (January 15, 1987), 50-56.


Imai Hisao. "Hamaguchi to Dan Takuma: Gunshu to Kin Kaikin ga Maneita Giseisha" (Victims Summoned by Arms Limitations and Going off the Gold Standard). *Rekishi Tokuhon* (Special Issue), 12, No. 10 (January 15, 1987), 44-49.


Iwasaki Koyata Den (Biography of Iwasaki Koyata). Tokyo: Editing Committee, 1957. (HC 461.5 I9 I9)


Kohayagawa Yōichi. "Asano Zaibatsu no Takakuka to Keiei Soshiki" (Strategy and Structure of the Asano Zaibatsu). *Keiei Shigaku*, 16, No. 1 (April 1981), 42-64.


Mishima Yasuo. "Yamaguchi Zaibatsu no Hatten to Kaitai-Chū Kibo Kinyū Zaibatsu no Kenkyū" (The Development and Dissolution of the Yamaguchi Zaibatsu). Keiei Shigaku, 18, No. 2 (July 1983), 23-51.

Mitsubishi Kōgyō Sha shi. Tokyo: Mitsubishi Kōgyō-Cement, 1976. (HD 9506 J33 M575)


(HG 3330 T64 M515)

(HC 461.5 M57 M58)

(HD 2907 M539)

(HE 945 M52 A4)

(HC 461.5 A2 N45)

(HD 2756 J33 v. 11)


(HD 2907 A2 v. 1-3)

(HC 461.5 A2 N434)

(HD 2907 M6735)

(HC 461.5 M25 M67)


(HC 462.7 N5)

(HD 2756 J3 N33 v. 4)

(HD 2756 J3 N33 v. 9)

(HD 9116 J24 O346)

(HC 461.5 A2 N54)

(HD 2756 J3 N64)

(HB 7 T69 K43)

(AP 95 J2 C56)

(HD 2756 J33 v. 5)


(HC 461.5 O37 O38)
(HC 461.5 A2 O39)

(HJ 1424 A42 v. 13)

(HD 2907 O44)

(HD 9622 J34 O58)

(AP 95 J2 C56)

(HC 461.5 A2 S315)

(H 8 H586)

(HC 462.7 N4888)

(HD 2907 S779)

(HD 2907 S26)

(HG 3330 O84 S812)


Tokyo Denki Kabushiki Kaisha 50-nen shi. Tokyo: Tokyo Denki, 1940. (HD 9695 J34 T63)


Toshiba 100 nen shi. Tokyo: Toshiba, 1977. (HD 9695 J34 T 64)


**Yasuda Ginkō 60-nen shi.** Tokyo: Yasuda Ginkō, 1940. (HG 3328 Y38)


Yasuoka Shigeaki, ed. **Zaibatsu no Hikakuteki Kenkyū** (Comparative Studies of Zaibatsu [Big Business]). Tokyo: Minerva, 1985. (HD 2907 Z29)


II. English Sources

"A." "The Rise and Fall of Japanese Communism." Contemporary Japan, 2, No. 3 (December 1933), 444-452.


"Alfred P. Sloan, Jr.: Chairman." Fortune, 17, No. 4 (August 1938), 73-77, 110-114. (HF 5001 F7)


Andreades. A. "Japanese Finance Since the War." Foreign Affairs, 10, No. 3 (April 1932), 485-501. (D 410 F6)

(DS 801 C6)

"Armour."  *Fortune*, 9, No. 6 (June 1934), 58-68, 124-142.

(HD 62.25 I57)

(HC 462.9 J252)

(HB 9 K6)


(HC 106.3 B27)

(HD 9523.9 K703)

(DS 881.3 B4)

(JQ 1698 A1 B46)

(HD 8072 B37)
(HD 8072 B38)

(DS 701 C71)

(HD 8072 B7)


(DS 889 B85)


(HD 9651.9 D8 C5)

(HD 30.5 M34)

(HD 2785 C4732)


(HF 5006 H2 v. 36)

(HF 5001 B83)


Heald, Morrell. *The Social Responsibilities of Business: Company and Community.* Cleveland: The Press Case of Western Reserve University, 1970. (HD 60.5 U5 H4)


"International Harvester." Fortune, 8, No. 2 (August 1933), 21-32, 24-33, 112-115; 116-124.

Ippei Fukuda. "Araki-the Man of the Crisis." Contemporary Japan 1, No. 3 (December 1932), 385-394.

Ippei Fukuda. "Hayashi, the Strong Silent Minister." Contemporary Japan, 3, No. 1 (June 1934), 66-72.


Itō Mitsuharu. "Munitions Unlimited: The Controlled Economy." Japan Interpreter, 7, No. 3-4 (Summer-Autumn 1972), 353-363. (H 1 J54)


Japan Today and Tomorrow. Osaka: Osaka Mainichi. No. 5, 1931-32; No. 6, 1932-33; No. 7, 1933-34. (DS 804 N4)


Kennedy, M. D. "The Reactionary Movement of 1932." Contemporary Japan, 1, No. 4 (March 1933), 619-633.
(DS 890 K45 A2913)


(HD 30.5 I753)


Kodama Kenji. "The Trade Outlook." Contemporary Japan, 1, No. 1 (June 1932), pp. 30-34.

(HD 9710 U54 G4745)


(DS 884 O4 L4)


Masamichi Ryūyama. "Politics at Home." Contemporary Japan, 1, No. 1 (June 1932), 74-82.

Matsuoka Yōsuke. "Dissolve the Political Parties." Contemporary Japan, 2, No. 4 (March 1934), 661-669.


"Men, Yen and Machines." Fortune, 14, No. 3 (September 1936), 67-68, 127-144, 190-197.


Mounsey, Augustus H. *The Satsuma Rebellion.* London: John Murney, 1879. (DS 882 M92)

"Mr. Ford Doesn't Care." *Fortune,* 8, No. 6 (December 1933), 62-69, 128-134.


"Profile of J. P. Morgan [Jr.]: Mr. Morgan." Fortune, 8, No. 2 (August 1933), 57-63, 76-86.


"Riken Combine's Expansion Steady." Oriental Economist, 5, No. 7 (July 1938), 419-422. (HC 411 O7 v. 5)


Schumpeter, Elizabeth, ed. The Industrialization of Japan and Manchukuo. New York: Macmillan, 1940. (HC 462 S 36)

(HD 9743 G7 V55)


(DS 885 S4)

(DS 888.5 S487)

(H 1 E7)

(DS 888.5 C67)

(DS 885 S8)

(HF 5001 B82)

Takajima Shigeji. "Our Overseas Trade." *Contemporary Japan*, 3, No. 2 (September 1934), 233-238.


(DS 885 T3)

(HD 2769 O4 T2)


"U. S. Steel-The Corporation." Parts I-IV. Fortune, 13 No. 3 (March 1936), 59-68, 152-194, 200-205; Fortune, 13, No. 4 (April 1936), 127-136; Fortune, 13, No. 4 (April 1936), 93-97, 134-147; Fortune, 13, No. 6 (June 1936), 113-116, 164-172.


Yoshino Sakuzo. "Fascism in Japan." Contemporary Japan, 1, No. 2 (Sept. 1932), 185-197.

