

THE EARLY HISTORY OF THE ZAIBATSU

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The *Zaibatsu* 財閥 are the special Japanese form of finance capital in the Japanese capitalism of the period preceding the Second World War. Finance capital was conceptualized by R. Hilferding and by V. I. Lenin as the dominant form of capital in the stage of Imperialism,¹ but the reason for the *Zaibatsu* being the special Japanese form was that they possessed characteristics which were markedly different from the forms of finance capital found in advanced countries such as Germany and America in regard to the following two points. The first of these is the fact that they had a form of the *konzern* which was topped by a holding company and which spread its wings in diversified management through share holdings over practically the whole field of undertakings in production, commodity circulation and finance. This is a reason why the *Zaibatsu* are called "comprehensive *konzerns*." Further, it is possible to point out the following detailed characteristics in regard to their internal structure. Manufacturing industry, in particular the heavy and chemical industries, figured comparatively little compared with other fields of industry. The nucleus in the production sector was made up by primitive industries such as mining, while on the other hand the commodity circulation and finance sector, represented by commercial companies and banks, had a relatively high importance. The cartels formed in the sectors in which the *Zaibatsu* had undertakings under their control were placed in a subordinate position to the *Zaibatsu konzern* as institutions charged with the role of supplementing or complementing the control by the *konzerns*. For this reason the *Zaibatsu* as monopolies was characterized not as simple market monopolies but as "monopolies of capital as such" which contained such simple market monopolies within themselves in subordinate positions, and further that they were practically devoid of the organic interconnectedness in production technology which characterizes modern monopolies in general. The above points constitute marked characteristics in comparison

¹ See R. Hilferding, *Das Finanzkapital: Eine Studie über die jüngste Entwicklung des Kapitalismus*, 1910, and V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, 1917.

with the finance capital of Germany or America in the period of their establishment, which was formed as market monopolies having specific heavy or chemical industries such as the coal-steel industry or the oil industry. Secondly, as is indicated by the fact that the *Zaibatsu* are frequently called "family *konzerns*," in the *Zaibatsu* form of capital accumulation the greater part of the owned capital of the enterprises under the control of the *Zaibatsu* was supplied by holding companies in the form of monopolistic provision of funds by the family members running the *Zaibatsu*. Under the conditions of this exclusive form of capital an extremely high degree of accumulation was carried out by self-financing, while as a result the various financial organs under the control of the *Zaibatsu*, too, existed as institutions which were charged with the role of enlarging the extent of *Zaibatsu* control, rather than with financing enterprises under the control of the *Zaibatsu*. This was a phenomenon of a truly alien nature when compared with the German monopolies' mobilization of huge social funds from the capital market through functions of the credit banks, and the American monopolies doing so through those of investment bankers.²

Such being the content of the *Zaibatsu* monopolies, we shall denote these two characteristics of the *Zaibatsu* by the expressions "the comprehensive *konzern* form" in the former case, and "the self-financing accumulation form" in the latter case, but in fact it was at the end of the 1920's, by which time the control of the *Zaibatsu* may be supposed to have been brought to completion, that these characteristics became firmly fixed in Japanese capitalism. Further, these two characteristics were formed in their most typical form in the Mitsui 三井 *Zaibatsu* and the Mitsubishi 三菱 *Zaibatsu*, the *Zaibatsu* which were known as "the two great *Zaibatsu*" among the total number of *Zaibatsu*. Among the other bodies designated as *Zaibatsu* there were in addition to these the somewhat smaller Sumitomo 住友 *Zaibatsu*, the Yasuda 安田 *Zaibatsu* with its centre in the financial sector, and the Asano 淺野 *Zaibatsu*, Furukawa 古河 *Zaibatsu* and others mainly located in the producing sector, but we should probably be able to grasp the typical form of the *Zaibatsu* by considering the two great *Zaibatsu*, Mitsui and Mitsubishi.

As we have noted above, however, it was at the end of the 1920's

² Regarding the structure of finance capital in Germany and America, see Tohara Shirō 戸原四郎, *Doitsu Kinyū Shihon no Seiritsu Katei* ドイツ金融資本の成立過程 (The Process of the Formation of Finance Capital in Germany), Tokyo, Tokyodaigaku-shuppan-kai, 1960, and Ishizaki Teruhiko 石崎昭彦, *Amerika Kinyū Shihon no Seiritsu* アメリカ金融資本の成立 (The Formation of Finance Capital in the United States), Tokyo, Tokyodaigaku-shuppan-kai, 1962.

that these *Zaibatsu* were firmly established as finance capital, but to seek the genesis of these bodies as forms of capital we must go back to the time of the Meiji Restoration and in some cases beyond it to the early period of the Tokugawa 徳川 feudal régime. The origin of the Mitsubishi *Zaibatsu*, for example, is to be found in the Restoration period, but the Mitsui *Zaibatsu* goes back further to the Genna 元和 era (1615-1623). However, from the point of view of the aims of the present paper, which are those of elucidating the formation of the *Zaibatsu* in connexion with the modernization of Japan (we understand "modernization" as meaning "conversion to capitalism"), it will probably be permissible to locate the starting point of our considerations in the period of the Meiji Restoration. As regards the angle from which we propose to consider the history of the *Zaibatsu*, we shall confine ourselves to following up in connexion with the historical process of Japanese capitalism the grounds for the formation of the characteristics of the *Zaibatsu*, that is, those in regard to the form of monopoly and form of capital accumulation. This is because it is altogether impossible to range over all the historical facts within the compass of the limited space available, and because we may suppose that it would not have very much significance to do so.

I. THE GENESIS OF THE ZAIBATSU AS MERCHANT CAPITAL =THE "POLITICAL MERCHANTS"

During the period of approximately twenty years between the Meiji Restoration of 1868 and the end of the 1880's the development of the Japanese economy was at the stage which Marx called the stage of the primitive accumulation of capital. Further, this primitive accumulation in Japan, being prescribed by the complicated character consisting in the fact that its starting-point, the Meiji Restoration, came late in the scale of world history as a bourgeois revolution and was premature from the point of view of national internal development, was provided with the following two marked characteristics. Firstly, the role played by the government in the process was extremely large, and although the role played by state power is generally greater in the period of the establishment of capitalism in proportion as the country is backward, in Japan the government became the undertaker of the conversion to capitalism in the form of the government itself managing undertakings. Secondly, and this constitutes the reverse side of the preceding point, merchant capital, which from the first was the dominant form of capital in all countries in the period of primitive accumulation, had accomplished

markedly little accumulation in Japan, partly because it was shut off from foreign trade during the feudal period because of the policy of closing the country to foreign intercourse (*Sakoku* 鎖國), and consequently in the process of its development under the conditions of the new environment provided by the Meiji Restoration its degree of dependence on the government was overwhelmingly high. In relation to the Meiji government when first established merchant capital constituted the material basis of political authority by giving it financial support for the time being, but once the tracks of the policy for primitive accumulation had been laid down the initiative on the part of political authority, viewed over-all, brought about a rapid development of merchant capital, and as a result caused these merchants to be the actual undertakers of primitive accumulation. This is why Japanese merchant capital is spoken of as "politically privileged merchants" (*Tokken-seishō* 特權政商) or "political merchant capital,"⁸ but in fact the typical instances of this kind of capital were Mitsui and Mitsubishi, and the former of these, by being concerned in the financial business of the government, brought to realization the establishment of the later Mitsui Ginkō 三井銀行 (Mitsui Bank) and Mitsui Bussan 三井物産 (Mitsui & Co., Ltd.), while by undertaking the government's marine transportation policy the latter extended its interests to other undertakings, and on the occasion of the selling-off of government-operated factories (*Kangyō Haraisage* 官業払下げ) in the 1880's both obtained mining and other producing sector undertakings and caused the archetype of their diversified management to come into being. In the following we propose to trace a number of the grounds which in later years produced the Japanese form of finance capital, the *Zaibatsu*, doing so by viewing in concrete terms the activities of Mitsui and Mitsubishi as political merchants.

Let us take the case of Mitsui first. During the Tokugawa period Mitsui were already running money-changing shops and tailor's shops as merchants by appointment to the Shogunate and they are said to have accumulated a fortune whose total capital amounted to more than 781,000 *ryō* 兩 in 1842, but at the time of the Restoration of the Imperial Rule (*Taisei Hōkan* 大政奉還) in 1867 they early grasped the trend of

⁸ According to Yamaji Aizan 山路愛山, the word '*seishō*' (political merchant) came into use in the early Meiji period as a term referring to Japanese monopoly merchants who had been accorded privileges by the government or had accumulated wealth as purveyors to the government, and the word is not to be found either in the Chinese dictionaries or in the Japanese encyclopedias of the feudal period, but is a neologism dating from after the beginning of the Meiji period. Yamaji Aizan, *Gendai Kinken-shi* 現代金權史 (A History of the Power of Money in Modern Times), Tokyo, Hattori-shoten, 1908, p. 34.

the times, and, breaking off their hereditary connexion with the Shogunate, threw in their lot with the new Meiji government. The relations between the new government and Mitsui began with aid in providing military funds for the purpose of overthrowing the Shogunate, and as a consequence of this Mitsui and the Ono Gumi were appointed exchange brokers at the Bureau of the Exchequer (*Kaikei-jimukyoku Onkawasekata* 會計事務局御爲替方) in February, 1868, and were concerned in the raising of three million *ryō* in Basic Exchequer Funds (*Kaikei-Motodatekin* 會計基金)⁴ and in the issuing of thirty million *ryō* in Cabinet Notes (*Dajōkan satsu* 太政官札).⁵ Further, in the reform of the currency system which began in May, 1871, they undertook on their own the work of collecting metal for currency and the exchange of new currency for old, thus performing the functions of an executive organ of the new government in the sphere of government finance. Further, through being employed by the government in ways such as this, Mitsui obtained a variety of concessions involving the handling of government funds, and on the basis of the accumulation deriving from this they brought to realization in the latter half of the 1870's the establishment of two among the later directly-affiliated great companies, the Mitsui Bank and Mitsui Bussan. The establishment of the Mitsui Bank took place in 1876, five years after the first application in 1871, partly because of the Meiji government's policy of centring its financial organization on the National Banks, but the essentials of the bank's organization were the "joint stock company" with unlimited liability, while the capital of two million yen, divided into 20,000 shares, was entirely held by members of the house of Mitsui and persons related to them. The bank's head offices were in Tokyo, with branch offices at Ōsaka 大阪, Kyōto 京都, Yokohama 横濱 and Kōbe 神戸 and a further 26 branches at various places throughout the country, and in terms of share capital it was the hugest bank second to the 15th National Bank. However, as will be clear from Table 1, a Table compiled from fragmentary data, government deposits accounted for a large proportion of the bank's bill discounting and documentary bill business, the original forms of banking credit, were negligible and loans occupied the overwhelming proportion. The fact that government deposits occupy so high a proportion business on the deposits side, while on the side of movements of funds

⁴ A loan bearing 12% annual interest and secured by the revenue from the Land Tax, floated by the Meiji government for the purposes of meeting the requirements of government finance at this time.

⁵ Non-convertible paper currency issued with the intention of creating funds for the encouragement of industry.

Table 1. BREAKDOWN OF DEPOSITS AND

At Year End	Government Deposits	Private Deposits	Total Deposits	Loans
June, 1880	7,132 (43.0)	9,475 (57.0)	16,607 (100.0)	7,376 (54.1)
December, 1882	6,410 (44.7)	7,933 (55.3)	14,344 (100.0)	7,547 (91.0)
July, 1883	5,263 (35.6)	9,525 (64.4)	14,788 (100.0)	7,474 (92.5)
July, 1884	5,593 (52.8)	4,997 (47.2)	10,509 (100.0)	6,041 (81.8)

Source: The Mitsui Bank, *Mitsui Ginkō Hachijūnen-shi* 三井銀行八十年史 (Eighty Years

of the whole shows that the bank was not a business bank, and reveals most strikingly its "politically privileged merchant" character, but it also appears in regard to the content of loans that a fair number were personal loans to high government officials involving the handling of government funds, and rather than being a bank the character of usury capital is present in a high degree. However, among those involving the handling of government funds loans to peasants in the form of documentary bills in payment of taxes were made as a result of the bank noticing that at that time, when the commercialization of rice was still immature, many of the peasants were having difficulty in paying the Land Tax (*chiso* 地租) in money, and in consultation with the Mitsui Bussan, regarding which we shall say more later, making loans for the payment of taxes on the security of harvested rice, and it may well be noted that through the commercialization of rice this performed the promotive functions of primitive accumulation consisting in the promotion of currency circulation in the rural areas and the promotion of the break-up of the peasant stratum of society.

Next, Mitsui Bussan, also established in 1876, was a private alliance company with unlimited liability, and its work consisted "entirely in bending efforts to the selling of products (*bussan* 物産) on receiving requests from people outside the family, or in buying in products and taking a fee, the form of commercial activity traditionally known to the Japanese people as *tonya* 問屋 business and to the European as commission agency business," while until its capital of 200,000 yen was laid down in 1880 the company was without capital and met the requirements of its undertakings by contracting an overdraft of up to 50,000 yen with the Mitsui Bank. The commodities dealt in by this company immediately after its foundation are as shown in Table 2, and its char-

LOANS AT THE MITSUI BANK (1880-1884)

(in thousand yen and percentage)

Short Notice Loans	Special Loans	Discounted Bills	Documentary Bills	Total Loans
468	5,762	—	16	13,623
(3.4)	(42.4)	(—)	(0.1)	(100.0)
628	—	7	109	8,291
(7.6)	(—)	(0.1)	(1.3)	(100.0)
591	—	4	6	8,076
(7.3)	(—)	(0.0)	(0.1)	(100.0)
760	521	51	8	7,382
(10.3)	(7.1)	(0.7)	(0.1)	(100.0)

of the Mitsui Bank), Tokyo, 1957, pp. 371 and 402.

acter as merchant capital is revealed in the fact that the relative weight of agricultural products, the produce of the labour of small producers, was high. Furthermore, the direct lever for the development of Mitsui Bussan was the sole right to sell the coal of the government Miike Coal Mine (granted in September, 1876), and the fact that this also was a concession made available by the government may be said to bespeak the fact that Mitsui Bussan also came into being as a company charged with one important aspect of the character of the house of Mitsui as political merchants.

Next let us take up consideration of the case of the Mitsubishi companies. The genesis of Mitsubishi as capital starts from Iwasaki Yatarō 岩崎彌太郎 receiving a government lease of the Ōsaka Nishinagabori Shōkai formerly owned by the Tosa 土佐 fief in 1870 and being concerned principally in the marine transportation business,⁶ but as in the case of Mitsui the lever for its spectacular development was its political merchant activities as an undertaker of the fostering of capitalism by the Meiji government. Firstly, on the occasion of the expedition to Taiwan (*Seitai no Eki* 征台の役) (1874) the government entrusted Mitsubishi with the running of 13 steamships, thus causing Mitsubishi to undertake military transportation, and after the expedition,

⁶ At first Mitsubishi was called the Tosa Kaisei Shōsha (1870), but later the name was changed to the Tsukumo Shōkai, the Mitsukawa Shōkai, and then to the Mitsubishi Shōkai, while in May, 1875, it first took the appellation 'company' as the Mitsubishi Steamship Company, and in September of the same year it changed its name again to the Mitsubishi Mail Steamer Company. Though called a company, however, it was a purely individual enterprise which "differed greatly from companies which constituted themselves by collecting the funds of others, being entirely an undertaking confined to the one family" and "the profits of the company accrued entirely to the person of the head of the company, and the losses of the company likewise entirely fell on the person of the head of the company."

Table 2. VALUE OF COMMODITIES DEALT IN BY MITSUI BUSSAN
(September-December, 1876)

Commodity	(in yen and percentage)	
	Value Dealt In	
Rice	227,899	(41.8)
Coal	4,459	(0.8)
Machines	5,183	(0.9)
Metal Goods	126,088	(23.1)
Petroleum Oils	1,839	(0.3)
Foreign Textiles and Trinkets	114,556	(21.0)
Tea	4,358	(0.8)
Silkworm Eggs	49,100	(9.0)
Miscellaneous Articles of Commerce	11,518	(2.1)
Total	545,000	(100.0)

Note: Among the above, exports comprised coal, teas, silkworm eggs, etc., to the value of ¥57,295, and imports comprised worsteds, metal ingots, machines, sacks, etc., to the value of ¥238,841. The remainder of ¥248,864 represents domestic business, chiefly in rice.

Source: Mitsui Mercantile Steamship Company, *Sōgyō Hachijūnen-shi* 創業八十年史 (A History of Eighty Years in Business), Tokyo, 1958, p. 21.

in 1875, we find the government ordering Mitsubishi to open a steamship line to Shanghai with four of the vessels entrusted to the company and paying 30,000 yen as reserve fund and 200,000 yen as subsidy. As is a matter of common knowledge, a fierce business competition was developed between Mitsubishi and the Pacific Mail Steamships Co. of America, and the Peninsular & Oriental Steam Navigation Co. of England, but with the material and moral support of the government Mitsubishi succeeded in repulsing these adversaries. In May, 1875 the government decided on a policy for marine transportation under the principles of "protection and supervision of privately owned and privately operated marine transportation" as proposed by the Minister of the Interior (*Naimukyō* 内務卿), Ōkubo Toshimichi 大久保利通, and Order Number 1 and Order Number 2 issued to Mitsubishi on the basis of this policy were such as to bring to completion Mitsubishi's privileged monopoly of marine transportation, and it came about that the company had practically all the steamships hitherto owned by the government sold off and in addition had paid to it an annual subsidy of 250,000 yen. Later, military transportation in the Saigō 西郷 Rebellion of 1877 was an opportunity which promoted the spectacular development of Mitsubishi, and in the Japanese coastal shipping routes developed in this period against the background of the privileged position due to government preferential treatment and protection as described above the form of business was

coloured with the hues of merchant and money-lending capital, and this also came to be the stage upon which diversified management was developed. In addition to the five Japanese coastal shipping routes specified in Order Number 2 as the objects on which the money provided by the government in the form of subsidies was to be spent—Tokyo to Ōsaka, Tokyo to Hakodate 函館, Tokyo to Niigata 新潟, Tokyo to Yokkaichi 四日市, and Nagasaki 長崎 to Pusan in Korea—the Japanese coastal shipping routes operated by the company extended over practically the whole country—the Ryūkyū 琉球 route, the Hokuriku 北陸 route, the Ōsaka-Hakodate route, and the Ogasawara 小笠原 route—and this in itself contributed to the formation of a unified internal market in Japan, but according to the fragmentary information given in the *Mitsubishi Shashi* 三菱社誌 (Chronicle of Mitsubishi [unpublished]) it is characteristic that (1) rice, tea, beans, cotton, and other agricultural products were overwhelmingly predominant in the content of the goods transported, (2) the shippers were usually provincial merchants or associations of such, (3) a fair number of the cargo contracts contain monopolistic conditions restricting transportation to the one company, and there are also instances of advance loans under the *tonya* system. Further, this merchant-like marine transportation business conducted vis-à-vis provincial merchants and by extension vis-à-vis small producers necessarily led to the company being caused to carry on simultaneously financing, insurance and warehousing business in relation to shippers and small producers. Furthermore, an example of its being of an extremely money-lending-capital character can probably be perceived from Table 3, which shows the working accounts of the Mitsubishi Exchange Office opened in April, 1880. Again, the company acquired management rights over the 119th National Bank in May, 1885, and this, too, was the fruit of merchant-like accumulation of capital through the medium of the marine transportation business.

However, the monopolistic position in the marine transportation business which became the lever for this accumulation of merchant capital and diversification of activities was exposed to the fierce competition with the Kyōdō Transportation Company established partly under the influence of the political upheavals within the Meiji government after 1882. As a historical event this contains interesting problems, but from the point of view of the aims of the present paper they are not problems of particular importance. The competition between these two eventually resulted in amalgamation brought about by government mediation, and in the establishment of the Nippon Yūsen Kaisha (capital 11,000,000 yen, established 29th September, 1885), but Mitsubishi maintained their

Table 3. BALANCE SHEET OF THE MITSUBISHI EXCHANGE OFFICE (1880-1881)

	(in thousand yen and percentage)	
	End of 1880	End of 1881
DEBIT		
Houses and Land	125.7 (6.6)	70.0 (2.9)
Loans	1,074.2 (56.4)	1,240.0 (50.9)
Ordinary Loans	721.3 (38.0)	378.4 (15.5)
Warehouse Loans	205.4 (10.8)	302.7 (12.4)
Ground Exchange Loans	118.5 (6.2)	396.3 (16.3)
Other	28.9 (1.5)	162.6 (6.7)
Documentary Bills	297.3 (15.6)	292.1 (12.0)
Other	400.2 (21.2)	834.1 (34.2)
TOTAL	1,897.3 (100.0)	2,436.4 (100.0)
CREDIT		
Capital Fund	1,500.0 (79.0)	1,600.0 (65.7)
Deposits	160.4 (8.5)	63.8 (2.6)
Government Loans	150.0 (7.9)	595.0 (24.4)
Other	6.1 (0.3)	86.3 (3.5)
Profits	80.8 (4.3)	91.4 (3.8)

Note: Within 'Loans', 'Ordinary Loans' refer to general loans on the security of government bonds, gold and silver, and Land Certificates, 'Warehouse Loans' refer to short-term loans to shippers, and 'Ground Exchange Loans' refer to advance loans to producers.

Source: The Mitsubishi Bank, *Mitsubishi Ginkō-shi* 三菱銀行史 (A History of the Mitsubishi Bank), Tokyo, 1954, p. 34.

initiative within this enterprise and firmly secured their monopolistic position with the 58 vessels totalling 68,197 tons gross held by the above company (77% of the total registered gross tonnage in the country, 88,765 tons, comprising 228 vessels). In this point we may present the Profit and Loss Account of the Mitsubishi Kaisha as shown in Table 4.

As a result of the above investigations we can be assured of the following three points as characteristics of capital formation in the Mitsui and Mitsubishi companies in the period of the primitive accumulation of capital. Firstly, it was only by acting as the undertakers of the government's policy for the promotion of primitive accumulation that the nuclear enterprises in both Mitsui and Mitsubishi at this period—the Mitsui banking and commodity trading business and the Mitsubishi marine transportation business—were able to come into being and develop. Secondly, by using government privileged protection to the maximum in their coming into being and development, these had already secured their monopolistic positions in the relevant sectors of undertakings in the middle of the 1880's. Thirdly, their capital accumulation, carried out against the background of such privileged and monopolistic positions,

Table 4. PROFIT AND LOSS ACCOUNT OF THE MITSUBISHI COMPANY
(1875-1885)

	(in thousand yen)				
	Income	Expenditure	Profits (A)	Government Subsidies (B)	(A-B)
Oct. 1875-Dec. 1876	2,345	2,037	308	321	△ 13
1877	4,447	3,229	1,218	263	955
1878	2,899	3,405	△506	267	△773
1879	3,288	2,994	294	280	14
1880	4,431	3,739	692	286	406
1881	5,882	5,085	797	281	516
1882	4,890	4,329	561	280	281
1883	3,736	3,781	△ 45	278	△323
1884	3,026	3,243	△217	269	△486
1885	2,297	2,303	△ 6	201	△207
Cumulative Total	37,241	34,145	3,096	2,726	370

Note: The figures marked with triangles are losses.

Source: Based on "Saimatsu Zassai" 歳末雑載 in *Mitsubishi Sha-shi* 三菱社史 (A History of the Mitsubishi Company), Nos. 3-13.

was of extreme proportions. Their sources of funds were above all government funds and also early monopoly profits, and the way in which the capital accumulation was carried out was merchant- or money-lending-capitalistic expropriation from small producers or local merchants on the presuppositions of acting as merchants by appointment to the government or of the immaturity of the commodity economy. Further, on such grounds Mitsui and Mitsubishi obtained undertakings in the mining and manufacturing sector in the process of the so-called "selling-off of the government-operated enterprises" in the 1880's and formed the archetypes of the diversified management which was later to develop into comprehensive *konzerns*. Such were Mitsui's acquisition of the Miike Coal Mine, the Shimmachi Waste Silk Spinning Factory and the Tomioka Silk Reeling Factory, and Mitsubishi's acquisition of the Takashima Coal Mine, the Sado and Ikuno mines and the Nagasaki Shipbuilding Yard. Among these not only did the coal and mineral mines form the nuclei of the *Zaibatsu* producing sectors as the later Mitsui Mining Company and the Mitsubishi Mining Company, but the Nagasaki Shipbuilding Yard was also the forerunner of the Mitsubishi Shipbuilding & Engineering Company. This means that the archetypes of the diversified principal enterprises under the control of the *Zaibatsu* at a later period were already formed at this stage. But it goes without saying that the coming into being of these archetypes alone is not sufficient. What must be called in question is how these archetypes

were reproduced over time. This we propose to examine below.

II. FIRM FIXATION AS "COMPREHENSIVE BODIES OF UNDERTAKINGS"

After the severe business depression which began with the financial reorganization measures put into effect by Finance Minister Matsukata Masayoshi 松方正義 in 1881 had promoted the virtual completion of primitive accumulation, Japanese capitalism went forward to its first period of the rise of modern enterprise from about 1887 on to the beginning of 1890. The fever of enterprise first arose in railway construction and next spread to textiles and mining, but throughout the 1890's the leading sector of industry was the cotton spinning industry, and by using the English ring spinning machine, Indian raw cotton, and domestic female labour paid at low rates this industry instantly gained a position of dominance over the domestic market and rapidly extended its business to the markets of Asia. We may thus regard the ten years of the 1890's as being the stage of industrial capitalism in the Japanese economy.

The development of such a new condition of affairs, however, made it very difficult for Mitsui and Mitsubishi to maintain their former political merchant activities, and had the effect of promoting their breaking free from the chrysalis of their merchant capital character. Mitsui, for example, began a reform of the Mitsui Bank from 1886 in response to the decline in government deposits resulting from the establishment of the Bank of Japan (*Nippon Ginkō* 日本銀行) (1882), but the fundamental reform of the bank was carried out at the hands of Nakamigawa Hikojirō 中上川彦次郎, who entered Mitsui with the recommendation of Inoue Kaoru 井上馨 in 1891. This was the so-called "Nakamigawa reform" and its content consisted in firmly establishing an autonomous and independent management which had severed its hereditary connexion with governmental authority and causing it to break free from its traditional character centred on money-lending and commerce and advance to the higher stage of a body of undertakings centred in manufacturing industry. Firstly, in the reform of the bank they carried out the writing-off of bad debts acquired through the bank's political connexions, the withdrawal from handling government funds and the closing down of the branches concerned, and after the reorganization of the bank into an unlimited partnership (capital 2,000,000 yen) in 1893 they took steps to modernize their business, while making "the depression of the volume of deposits and loans, the selection of clients, and short-term financing

centred on discounted bills" the basis of their management policy. Secondly, Nakamigawa's "industrialization policy" began with the running of the Maebashi Spinning Factory, the Ōshima Silk Reeling Factory, the Tanaka Manufacturing Plant (later the Shibaura Engineering Works and the forerunner of the present Tokyo Shibaura Electric Co., Ltd.), enterprises which were obtained as forfeited securities at the time of the reorganization of the bank's business, as well as the above-mentioned Shimmachi Waste Silk Spinning Factory and the Tomioka Silk Reeling Factory, and thereafter was positively carried forward in the new establishment of the Mie Silk Reeling Factory and the Nagoya Silk Reeling Factory and in the gaining of managerial control of the Kanegafuchi Spinning Company and the Ōji Paper Company. These various factories were brought under the unified administration of the Mitsui Industrial Department established in June, 1893, but in parallel with this the Miike Coal Mine, which had hitherto been a part of Mitsui Bussan, was made independent in June, 1892, and together with other mines belonging to Mitsui there was established the Mitsui Mining Limited Partnership (capital 2,000,000 yen, reorganized as an unlimited partnership in July of the following year), after which Mitsui purchased the Yamano and Tagawa mines and secured a monopolistic position in sharing the Kyūshū 九州 coalfield with Mitsubishi. Lastly, as regards Mitsui Bussan, this company was not made the direct object of reform, partly because of personal conflicts within Mitsui, but even so, as we shall see below, it was progressively modernized from merchant capital dealing with the traditional small producer to commercial capital undertaking foreign trade. In this way about 1900 Mitsui had firmly fixated diversified management as a large comprehensive body of undertakings extending from the fields of finance and trade with foreign countries to those of coal, machines, textiles and paper.

Next, in the case of Mitsubishi there was indeed no such dramatic change as the Nakamigawa reform of Mitsui, but nevertheless the break-away from the political merchant character was powerfully advanced. After the establishment of the Nippon Yūsen Kaisha and up to the establishment of the Mitsubishi Gōshi Kaisha 三菱合資會社 (Mitsubishi Limited Partnership, capital 5,000,000 yen) in 1893 they purchased mineral and coal mines at greater or lesser discount, chiefly in the Kyūshū area, and shifted the centre of gravity of their business to the mining industry, further to which they established branches at Ōsaka, Nagasaki, Wakamatsu 若松, and Shimonoseki 下關 as organs for the selling of the products of these mines, and made firm the foundations of their later

commercial sector (Business Department of Mitsubishi Shōji Kaisha). On the other hand, the Mitsubishi shipyard at Nagasaki was in an extremely unflourishing condition for a long time after it was sold off, but it gradually headed for establishment, partly due to the protection by the Law for the Encouragement of Shipbuilding (*Zōsen Shōrei Hō* 造船奨励法) of 1896, and in the same year the new construction of the Kōbe shipyard was envisaged. In addition to these, we may mention the provision of funds for the Sanyō Railway Company (established 1887) and the Chikuhō Railway Company (established 1889, later amalgamated with the Kyūshū Railway Company), the coming into production of the selling-off of the Ōsaka Refinery (1896) and the purchase of the Kōbe Paper Mills (1898, later the Mitsubishi Paper Mills, Ltd.), but in parallel with these industrial undertakings they opened a Banking Department in October, 1895, and took over the business of the 119th National Bank, thus pressing forward their efforts towards modern banking management. With the addition of Nippon Yūsen, Tokyo Marine Insurance Company, a company in which the Iwasaki family were great shareholders and which was deeply coloured with the Mitsubishi colouring, and the Meiji Life Insurance Company, all of which had previously been quasi-directly-affiliated companies under the control of Mitsubishi, as well as of the Tokyo Warehouse Company, by about 1900 Mitsubishi, too, went on to develop into a comprehensive body of undertakings containing finance, commerce, insurance, warehousing, mining, railways, marine transportation, shipbuilding and paper-making.

To speak very generally, the actual state of Mitsui and Mitsubishi in the 1890's as we have described it above is nothing other than the process which Marx describes that "the merchant becomes an industrialist,"⁷ and consequently is nothing other than the process in which merchant capital is transformed into commercial capital and money-lending capital is transformed into banking capital, but the realities of this process contained peculiarly Japanese circumstances which cannot be disposed of under so general a prescription. If, now, we seek to know the historical grounds upon which the political merchant capital of the primitive accumulation period realized this transformation and furthermore thereby caused the firm fixation of diversified management, we would seem to be obliged, basically, to direct our attention to the following structural characteristics of Japanese capitalism which, on the one hand, was placed under the Imperialist pressure of the advanced countries of Europe and America, and on the other was adjacent to extensive

⁷ K. Marx, *Das Kapital*, Dietz Verlag, Berlin, 1953, Buch III, S. 368.

backward regions in Asia, and which firmly established its cotton industry as industrial capital under the conditions of this historical and geographical environment. Firstly, while it is agreed that in the cotton industry Japanese capitalism realized advanced-country relations on a vis-à-vis Asia scale in exactly the same way as the English cotton industry had realized the whole world as its object of trade in the middle of the 19th century, the process of circulation between Japan and the overseas markets (both raw materials and manufactured goods) could not but be extremely unstable under the conditions of the Imperialist international environment. Secondly, on the other hand, the industries other than the cotton industry, especially the heavy and chemical industries, had their smooth development prevented by competition from the manufactured goods of the advanced countries and consequently behind the relations mentioned above there existed alongside them the relations of an agricultural country which in its relations with the countries of Europe and America was a buyer of the manufactured goods of heavy industry and a seller of raw silk, tea, coal, and other raw materials and half-finished goods. This "semi-advanced" character in Japan, as we may call it, rendered extremely large the roles played by the commodity circulation and financial sectors in Japanese capitalism.

Considering these characteristics in their connexions with the diversification of the undertakings under the control of Mitsui and Mitsubishi, firstly, the firm fixation of Mitsui Bussan and Nippon Yūsen in the commodity circulation sector may be said to have had its grounds in the fact that on the basis of the powers which accrued to them from their monopolistic position they acted as a force which supplemented the weak points in the process of commodity circulation between Japanese capitalism and the overseas markets as indicated above. The concrete content of this point consisted in Mitsui handling 30% of national imports of raw cotton and exports of cotton yarn as a quasi-member of the Japan Cotton Spinners League and about 50% of national imports of machinery (highest in imports of spinning machinery, for example 82% of national imports in 1892) in the process of strengthening its character as a modern overseas trading company dealing in imports and exports of the raw materials and finished products of the various modern industries (see Table 5) while at the same time breaking free from its traditional merchant capital activities vis-à-vis the government and the small producers, and in Nippon Yūsen concluding a contract^a with the Spinners

^a The essential points in the content of this contract were as follows: 1) Nippon Yūsen would route a steamship of 3,000 tons gross or over between Japan and Bombay once

League in November 1893 for the transportation of Indian raw cotton and opening a sea route to Bombay, thus safeguarding the cotton industry from the tyranny of the foreign shipping companies. Further, it was these activities which constituted the main stage for the development of the two companies at this period, and they were the groundwork laid down in this period which later caused the relative weight of the commodity circulation sector in the later *Zaibatsu* finance capital to be high.

Table 5. DOMESTIC AND FOREIGN TRADE OF MITSUI BUSSAN (1876-1899)
(in thousand yen and percentage)

	Exports	Imports	Trade between Foreign Countries	Domestic Trade	Total
1876 (Jun.-Dec.)	57 (10)	239 (44)	0 (0)	249 (46)	545 (100)
1897	10,432 (19)	33,540 (62)	179 (1)	9,579 (18)	53,730 (100)
1898	13,404 (22)	38,788 (62)	761 (1)	9,610 (15)	62,653 (100)
1899	25,439 (33)	40,016 (52)	732 (1)	10,043 (13)	66,230 (100)

Sources: Figures for 1876 are from the above-cited *Sōgyō Hachijūnen-shi* of the Mitsui Mercantile Steamship Company, p. 21.

The other figures are from *Mitsui Bussan Kaisha Shōshi* 三井物産會社小史 (A Short History of the Mitsui Bussan Company), Tokyo, 1951, p. 165.

Secondly, regarding the firm fixation of the producing sector, the significance of the fact that in both Mitsui and Mitsubishi this was realized centred on the primitive industry, mining, is important. As we have noted, there was some entry into other industrial sectors at this time, but these undertakings persisted over time in a more or less depressed condition, and as regards the reason for it we may say that it was to be found in the suppression of the development of modern industry other than the cotton industry—in particular the heavy and chemical industries—caused by competition from the advanced countries of the kind which we have indicated above. In contrast to this, the mining industry, although on the one hand having its way blocked to development in association with the iron and steel and metals industries such as had taken place in Germany by reason of this undeveloped condition of Japanese heavy industry, conversely exhibited smooth development as

every three weeks, or at the least once in four weeks, for the purpose of loading cotton. 2) The freight charges for raw cotton would be Rs. 17 per ton (40 cu. ft.), of which Nippon Yusen would repay Rs. 4 to the League. 3) Nippon Yusen would guarantee the lading of 30,000 or more bales of cotton per annum, and if it fell short of this figure would pay compensation to the League at the rate of Rs. 4 per ton. The League would guarantee cargoes of 50,000 or more bales of cotton per annum, and if these fell short of this figure would pay freight charges to Nippon Yusen at the rate of Rs. 13 per ton in respect of the deficient number of bales.

an export industry responding to the demand from the advanced countries.⁹ This fact has the following significance. The mining industry can be said to have played an integral part of the economic reproduction structure of the stage of industrial capital in Japan, because foreign exchanges obtained by exports of mining products became a fund for the importation of raw materials and machinery for the cotton industry. This was the same as the exporting industries of an agricultural country, such as the silk reeling industry and the tea industry. Under these conditions the mining industry, because of the competition-limiting character of mining as a primitive industry accompanied by a natural monopoly and its character as necessitating considerably large sums in capital investment, provided the very best possible stage of operations for the old politically privileged merchants when they undertook to transform themselves at the stage of industrial capital. Further, the fact that their producing sectors were firmly fixated as undertakings in the mining industry as an exporting industry of this kind caused relations of mutual dependence on the business side, non-technological in character, to come into being between the mining industry and the various undertakings in the commodity circulation sector, in point of the mining industry performing the same supplementary function in the export business as that performed by Mitsui Bussan or Nippon Yūsen in relation to the cotton industry. The fact that Mitsui and Mitsubishi entered undertakings which were lacking in their respective commodity circulation sectors, as exemplified in Mitsui's entry into the marine transportation business in November, 1896, when it set up a shipping department for the purposes of transporting Miike coal and Mitsubishi's establishment of a branch (the later Business Department) for the selling of coal and copper at the same time as the reorganization of Mitsubishi as a limited partnership, is nothing other than a concrete manifestation of this. In that sense, it would seem permissible to say that their diversified management spanning both production and commodity circulation sectors was not merely firmly fixated but that within itself this diversified management had produced its own mechanisms of economic reproduction.

Lastly there is the question of firm fixation in the financial sector by the modernization of the Mitsui Bank and the establishment of a

⁹ At this time, in coal and copper, which ranked with tea and rice after raw silk and cotton yarn as the important exports from Japan, 30-40% of production was exported in the case of coal and as much as 80% in the case of copper, the relative weight of exports in the production of the Miike Coal Mine run by Mitsui Mining, for example, being 60% in 1890, 54% in 1894, and 45% in 1898.

Banking Department in Mitsubishi Limited Partnership and this must be considered in relation to the total aspect of capital accumulation as it took place severally in Mitsui and Mitsubishi as comprehensive bodies of undertakings. Tables 6 and 7 show balance sheets for the Mitsubishi Limited Partnership, for which comprehensive data are available, and the Mitsui Mining Unlimited Partnership, the Mitsui's principal producing company. Viewed overall, it is apparent that both companies realize the so-called "self-financing" form of capital accumulation. This self-financing form of capital accumulation exhibits a great difference when compared with the fact that the generality of industrial enterprises at this period were obliged to mobilize huge sums in external funds through the capital market or through their "organ banks,"¹⁰ but we may say that this was made possible by their huge capital accumulation by politically privileged merchant in the period of primitive accumulation, and, after the beginning of the 1890's, by the monopolies in commodity circulation of such companies as Mitsui Bussan and Nippon Yusen which we have described above or by the profits deriving from the natural monopoly of powerful, rich mines in the mining industry. Consequently again, on the other hand the financial institutions under the control of the Mitsui Bank or the Banking Department of Mitsubishi Limited Partnership, while on the one hand having the character of "organ banks" in the sense that they supplemented the deficiencies in self-financing among the undertakings affiliated to them, rather had the main emphasis in their supply of funds directed to the generality of industrial enterprises other than Mitsui and Mitsubishi respectively. In combination with the fact that these banks, together with such banks as the Sumitomo Bank, Yasuda Bank and Dai-Ichi Bank, were on an outstandingly larger scale than the multitude of smaller banks, of which there were more than a thousand, this contributed to the enlargement of the extent¹¹ of control over undertakings by Mitsui and Mitsubishi. A comparison of the state of business at these two banks and the average for ordinary banks throughout Japan is given in Table 8, and we may perceive that while the latter have still not broken away from the character of usury capital these two banks have come to possess the

¹⁰ In Japan, as a backward country with poor accumulated capital, it frequently happened that banks were set up and operated as "organs" for the provision of undertaking funds at the time of the establishment of development of industrial enterprises. Banks of this kind, peculiar to Japan, are called "kikan-ginkō" (organ banks).

¹¹ For example, the bringing under Mitsui's control of the Shibaura Engineering Works, Kanegafuchi Spinning, Ōji Paper Mills and other companies was carried out in all cases through the medium of funds supplied by the Mitsui Bank.

Table 6. BALANCE SHEET OF THE MITSUBISHI LIMITED PARTNERSHIP (1894-1900)
(in million yen and percentage)

At Year End	Capital and Liabilities				Assets (partial)				
	Capital Fund	Reserve Funds	Iwasaki's Account	Profits	Total	Other	Grand Total	Capital Account	Current and Lending Accounts
1894	5.0 (78)	0.0 (0)	0.7 (11)	0.4 (6)	6.1 (95)	0.3 (5)	6.4 (100)	5.2 (81)	0.7 (11)
1896	5.0 (35)	0.9 (6)	7.3 (51)	0.7 (5)	13.9 (97)	0.4 (3)	14.3 (100)	11.7 (82)	1.4 (10)
1898	5.0 (29)	1.4 (8)	9.1 (53)	0.4 (2)	15.9 (92)	1.4 (8)	17.3 (100)	14.0 (81)	3.2 (18)
1900	5.0 (24)	3.3 (16)	10.0 (49)	2.0 (10)	20.3 (98)	0.3 (1)	20.6 (100)	14.2 (69)	6.0 (29)

Notes: 1. The figures under "Iwasaki's Account" are loans from the house of Iwasaki, but considering that the total sum of the "Capital Fund" was made available by the house of Iwasaki these sums may be regarded as being of the same character as the "Capital Fund."

2. The "Capital Account" under "Assets" represents investments in enterprises under the control of Mitsubishi. The "Current and Lending Accounts" are presumed to be loans to undertakings under the control of Mitsubishi and to other.
Source: From the "Saimatsu Zassai" in *Mitsubishi Goshi Kaisha Shashi* 三菱合資會社誌 (Chronicle of the Mitsubishi Limited Partnership), Vols. 1-7.

Table 7. BALANCE SHEET OF MITSUI MINING UNLIMITED PARTNERSHIP (partial), (1894-1897)
(in thousand yen and percentage)

Date	Undistributed Dividends and Bonuses				Mitsui Bank Account			Grand Total
	Capital Fund	Reserve Funds	Total	Mitsui Bank Account	Various Deposits	Grand Total		
December 1894	2,000 (50)	1,524 (38)	3,659 (91)	304 (8)	68 (2)	4,031 (100)		
November 1895	2,000 (50)	1,777 (45)	3,912 (98)	0 (0)	69 (2)	3,981 (100)		
November 1896	2,000 (38)	2,552 (48)	4,679 (88)	535 (10)	81 (2)	5,295 (100)		
November 1897	2,000 (30)	2,943 (44)	5,082 (76)	1,313 (20)	254 (4)	6,649 (100)		

Note: Since the archetype of this balance sheet is very imperfect from the point of view of the principles of accountancy, "Ministry of Finance Arrears Instalments," "Property Value," etc., have been omitted as not being necessary in considering the sources of funds.

Source: "Mitsui Kōzan Gojūnen-shi 三井礦山五十年史 (Fifty Years of Mitsui Mining)." (manuscript).

Table 8. COMPARISON OF SCALE OF BUSINESS BETWEEN ORDINARY BANKS AND THE MITSUI AND MITSUBISHI BANKS (End of 1898)

(in thousand yen and percentage)

	Average per Bank among Ordinary Banks throughout Japan	The Mitsui Bank	Banking Department of Mitsubishi Limited Partnership
A. Paid-up Capital Fund	131 (38)	5,000 (14)	1,000 (9)
B. Reserve Fund	14 (4)	3,230 (9)	707 (6)
C. Deposits	199 (58)	28,853 (78)	9,438 (85)
(A+B+C)	344 (100)	37,083 (100)	11,145 (100)
Loans contracted	37	2,852	700
D. Discounted Bills	100 (27)	14,915 (41)	4,920 (45)
E. Loans Made	204 (55)	10,084 (27)	4,489 (41)
F. Negotiable Securities	65 (18)	11,803 (32)	1,600 (15)
(D+E+F)	368 (100)	36,802 (100)	11,009 (100)

Note: Since loans on the security of commodities are included in under "Discounted Bills" as "Secured Discounted Bills" the amount for Discounted Bills in the original sense of the term is smaller than shown in the Table.

Sources: *Mitsui Ginkō Hachijūnen-shi* and *Mitsubishi Ginkō-shi*, and, for national figures, *Meiji-Taishō Kokusei Soran* 明治大正國勢總覽 (General Survey of the Nation in the Meiji and Taishō Periods), Tokyo, Tōyōkeizai-shimpō-sha, 1927.

substance of modern banking capital.

To summarize the above, it would seem to be permissible to say that the peculiar nature of the stage of industrial capital in Japanese capitalism consisted in its causing the diversified management, of which Mitsui and Mitsubishi had formed the archetypes during the period of primitive accumulation, to be firmly fixated as integral parts of the economic reproduction structure of industrial capitalism centred on the cotton industry. Further, as we have seen, this was a firm fixation which was more or less formally provided with the various characteristics of the internal organization of diversified management at the time of its later firm establishment as finance capital by Mitsui and Mitsubishi—that is to say, the characteristics of the absence of organic technological connexion among the undertakings brought under control, the relative predominance of the commodity circulation sector, the mining industry as the nucleus of the producing sector, and the high degree of self-financing capacity, etc. But it was still a firm fixation as prescribed by the economic reproduction structure of industrial capital, and not a firm fixation deriving from a capacity for maintaining its own independence. For this reason our next task must consist in making clear in respect to the transition of Japanese capitalism to the stage of Imperialism the grounds upon which diversified management possessing such characteristics proceeded to fructify as self-financing comprehensive *konzerne* while

changing its internal substance into something which was of a finance capital character.

III. THE COMING INTO BEING OF THE COMPREHENSIVE KONZERN

The Japanese Capitalism of the 1890's was at a period when the aspect of liberalistic development appeared, albeit with some difficulty, as the result of the firm establishment of industrial capital with the cotton industry as its basal axis, but the firm establishment of the stage of Imperialism in world capitalism symbolized by the opening of the 20th century would no longer permit Japan to undertake any further smooth development. Japanese capitalism, which had already begun to show a tendency to the concentration of capital at the time of the crisis of 1900-1901, precociously began to move in the direction of Imperialism, while taking the victory in the Russo-Japanese War (1904-1905) as a spring-board. This movement towards Imperialism passes through the transition period containing the two aspects of the period of chronic business depression from the later slump of 1907-1909 up to about 1914 and the First World War boom up to about 1920, and is brought to completion after passing through the 1920's, but the coming into being of the finance capital form through Mitsui and Mitsubishi's adoption of the institution of the *konzern* occurred in both cases during the transition period, between 1909 and 1911 in the case of Mitsui and between 1919 and 1920 in the case of Mitsubishi. Let us therefore first consider the quantitative development of diversified management in Mitsui and Mitsubishi during this transition period and the process by which it was qualitatively transformed into a substance possessing the attributes of finance capital, doing so in respect to its connexions with the Japanese capitalism of this period.

Looking first at the producing sector, we will probably have our attention drawn to the two points, first, that the mining industry which hitherto had been carried on mainly as an export industry was transformed, admittedly within certain limits, into a mining industry of a heavy industry character which was associated with the metals and chemicals industries, and that, as an accompaniment to this, entry to related sectors of manufacturing industry having the mining industry as their axis occurred, and second that the undertakings other than mining under the control of Mitsui and Mitsubishi, which had languished in varying degrees of unprosperity at the stage of industrial capital, at last attained stability in running and came to form monopolistic positions in

their several spheres. With respect to the former, during this time expansion in the mining industry was particularly marked, as represented by Mitsui obtaining managerial rights over the Hokkaidō Colliery & Steamship Company (1913) and Mitsubishi's purchase of the Bibai Coal Mine and the Great Yūbari Coalmining Company (in 1914 and 1916 respectively), but as regards their markets there was a gradual increase in coke-making and the use of coal for industrial purposes, as in the enterprises under the control of Mitsui and Mitsubishi. Further, this change in the market was developed in association with entry into the heavy and chemical industries by Mitsui and Mitsubishi themselves. Mitsui Mining Company, for example, setting up the Miike Zinc Refinery, centred on the Miike Coal Mine, in 1911, and by installing a "copperas" cooking furnace fitted with apparatus for the recovery of by-products setting up a gas plant, a tar plant and an ammonium sulphate plant in 1912, the Nanaura Gas Electrical Generation Station employing the waste gasses in 1913, and the Miike Dyeworks in 1918, thus building the foundations of the later coal and chemicals combination (Mitsui Mining—Tōyō Kōatsu Industries—Mitsui Chemical Industry). Again, the Hokkaidō Colliery & Steamship Company began mining undertakings in association with iron, establishing the Rinzai Ironworks in 1906 and the Japan Steel Works, Ltd., financed jointly with the two English firms of Armstrong and Vickers, in 1907, while at Mitsubishi, too, the Ōsaka Refinery was expanded on a grand scale on two occasions. Next, as regards the latter point, that is, the field of undertakings other than mining, in heavy industry Mitsubishi's shipbuilding sector and Mitsui's Shibaura Engineering Works were conspicuous, and the former, besides establishing new shipyards at Kōbe and Hikoshima 彦島, extended its operations to the production of general machinery and electrical machinery other than that used in shipbuilding, while the latter, after entering into technical collaboration with the American General Electric Company in 1909 and with the circumstance of encountering the period of the rise of the electricity generating industry, developed into a monopoly capable of realizing as much as 60-70% of the production of electrical machinery in Japan. In the field of light industry, too, besides the Mitsui-affiliated Ōji Paper Company showing good results the establishment of enterprises in newly started industries was also carried out, and furthermore these were firmly established as great trusts or monopolistic great enterprises in their respective sectors of undertakings. Such were the Taiwan Sugar Refining Company, established with finance from Mitsui Bussan in 1900 (capital fund of ¥1,000,000, later ¥63,000,000 in 1920), the Asahi Glass

Company, financed by the house of Iwasaki, established in 1907 (capital fund of ¥1,000,000, later ¥40,000,000 in 1920), the Electro Chemical Industrial Company, financed mainly by Mitsui Unlimited Partnership, established in 1915 (capital fund of ¥5,000,000, later ¥12,000,000 in 1920), and the Dainippon Celluloid Company established by a great merger of numerous small enterprises around the nucleus of Mitsui's Sakai Celluloid Company in 1919 (capital fund of ¥12,500,000). In this way Mitsui and Mitsubishi's undertakings in the mining industry enlarged their objects of business to include a variety of sectors, including the heavy and chemical industries, as opposed to their former condition, in which practically all of them confined their activities to mining alone.

Next, in the commodity circulation sector marine transportation and foreign commerce continued to develop markedly, and in especial the latter's peculiar content is important. This is represented by Mitsui Bussan's activities, for that company was no longer merely a contrivance for supplementing industrial capital on the commodity circulation side, but, acting itself as an investment finance organ, was controlling and concentrating a large number of commercial enterprises, and, as we have noted above, promoted from the commodity circulation side the diversification of the undertakings under its control on the mining industry side. The value of commodities handled by Mitsui Bussan at this period increased from an annual average of 68 million yen between 1897 and 1900 to 394 million yen between 1911 and 1915, and to 1,494 million yen during the war boom period between 1916 and 1920, while as a percentage of total national imports and exports it increased from 10% in the 1890's to around 20%. Further, what is characteristic here is that an authoritarian character having in the background the company's financial powers of control in commercial activities followed in the train of the quantitative enlargement of function of forming relations of control over these various non-Mitsui enterprises by obtaining monopoly selling-rights over their products, on occasion absorbing these companies under Mitsui control from the financial also, by providing investment finance. The obtaining of managerial rights over the Onoda Cement Company (1901) is one example of this. Again, besides financing the establishment of the above-mentioned Taiwan Sugar Refining Company, by such activities as setting up a Shipbuilding Department in the company and carrying on shipbuilding the company came to possess the character of being an undertaking company and furthermore a share-holding company while itself being a commercial company, and this produced the state of affairs in which "in the last years of the Meiji period Mitsui Bussan,

which had progressively formed the group of companies under its control, came to strengthen more and more this position of strength after the beginning of the Taishō period, and by the first half of 1919 besides holding shares in Teikoku Sanshi, Kōno Seishi, Kataoka Seishi, Nikka Sanshi, Gunze Silk Manufacturing, and other companies in the silk industry, it stood possessed of the immense financial power amounting to 379,780,000 yen which enabled it to make such capital investments as its 26 million yen invested in the coal industry, formed capital and financial relations with a vast number of industrial companies, and came to hold monopoly selling-rights over their products."¹²

Lastly let us look at the role of the banks in the development of diversified management. Table 9 shows the principal accounts at the Mitsui and Mitsubishi Banks at this period, and it is characteristic that both on the side of capital funds and the side of movements of funds the main emphasis has shifted to long-term capital funds, great increases having taken place in fixed deposits on the financial resources side and in loans on the movement of funds side along with the liquidation of the over-loan of the 1890's as a result of the filling out of the banks' financial resources. This displays the finance capitalist character of the banks during the period of the transition to the stage of Imperialism, in which the banks concentrate the savings funds formed in society and direct them to fixed capital credit,¹³ but what is to be noted here would seem to be the fact that the principal objects of the granting of financial assistance of this kind from the banks have now been almost entirely switched outside the sphere of undertakings directly affiliated to Mitsui or Mitsubishi. This does not mean that both banks have entirely lost their character as "organ banks," but the over-all tendency in lending is for the main emphasis to be shifted outside the undertakings under the control of the *Zaibatsu*, in particular to undertakings such as those in the electric power and electric railway industries. On this point the banks performed the role of base camps for the enlargement of the extent of the field of Mitsui and Mitsubishi's multifarious undertakings.

The content of the diversification of Mitsui and Mitsubishi undertakings as this period which we have reviewed very sketchily above must be said to possess a markedly different character in its substance, when compared with the stage of industrial capitalism which we considered before. Whereas the latter was of a passive character, being

¹² Nakai Nobuhiko 中井信彦, *Mitsui Honsha Shi* 三井本社史 (A History of Mitsui Head Office), unpublished manuscript, 1956, Vol. 2, p. 524.

¹³ R. Hilferding, pp.

prescribed by the firm establishment of industrial capital in the cotton industry, diversified management at this period was rather carried out at their own positive and active initiative. That of the industrial capital stage was carried out in the form of capital existing in substance in the period of primitive accumulation merely in the form of merchant or usury capital "differentiating" itself in the various fields of production, commodity circulation, and banking. Diversification in this instance was carried out in the form of a "gathering-in" again of these "differentiated" undertakings into one common substance possessing mutual capital and financial connexions, a substance of a finance capital character. To develop this idea still further, whereas the diversification of the stage of industrial capital was unable to exist apart from the use-value individualities inherent in the undertakings (enterprises) brought under control, that of the period of the transition to the stage of Imperialism changed its content, as being something which had transcended such individual differences in the field of undertakings, that is to say, as being something for which these differences meant only differences in locus of investment of capital for the purposes of increasing its value, or to express it in yet another way, as something having the character of the individualities of the diversified undertakings (enterprises) being contained and liquidated within the general body of capital (*Zaibatsu* capital) in all sectors of undertakings in which investment could take place. For example, Mitsui Mining, which contained within itself in a subsidiary status a number of sectors of the heavy and chemical industries, can no longer be called simple industrial capital in the mining industry, while Mitsui Bussan, which had many producing companies as its "child companies" or subsidiaries can by no means be called simple commercial capital. In that they have in common the fact that while taking within themselves an ever increasing number of fields of undertakings, these companies simultaneously obtained and exercised control over these diverse undertakings (enterprises), using the medium of "financial" means—investment or financing—they have been transformed into entities possessing a common nature as finance capital. Further, their adoption of the institution of the *konzern* at this period was carried out precisely as something which would respond to the needs of the changes in the content of their diversified management.

This would seem to be because the form which is capable of abstracting the use-value individualities from the actual capital invested in individually differing sectors of undertakings cannot exist except in the form of the joint stock company, and because the *konzern*, based

precisely on this joint stock form of capital, is the sole mechanism capable of gathering together under the control of a single body of capital the actual capital diversely invested. That is to say, in concrete terms the *konzern* came into being by reorganizing the undertakings (enterprises) brought under control into joint stock companies and establishing a holding company possessing concentrated ownership of their shares. While as a result the qualitative differences among the fields of undertakings in the joint stock companies brought under control were consistently maintained in terms of movements of actual capital on the one hand, on the other hand they were dissolved in the capital relations between the holding companies and the companies brought under control as being merely the causes of quantitative differences in rates of distributed profits. From the point of view of the *konzern* as a whole all the companies brought under control had alike attained complete substantial and formal unity as finance capital, as being capital which fulfilled Δg in $G \dots G'$ ($=G + \Delta g$) process. If, now, we trace the concrete process of this in Mitsui and Mitsubishi, we find that in the case of Mitsui the two great undertakings, the Mitsui Bank and Mitsui Bussan, were first reorganized as a joint stock companies each with twenty million yen in capital funds in September, 1909, on the basis of a recommendation put forward by the chief cashier (*bantō* 番頭), Masuda Takashi 益田孝, and at the same time Mitsui Unlimited Partnership was established as a holding company with a capital fund of fifty million yen, the whole of this sum having been monopolistically contributed by eleven Mitsui families. At this time the warehousing business which the bank had been running in addition to its other business was made independent as Tōjin Warehousing Company Ltd., and in December, 1919, the unlimited partnership Mitsui Mining, which had been absorbed under Mitsui Unlimited Partnership on the occasion of the reform of 1909, was caused to become independent as a joint stock company with a capital fund of twenty million yen, so that all the three great directly-affiliated undertakings dating from the period of primitive accumulation were now reorganized as joint stock companies. Further, all the shares in these four companies, together with those of the Shibaura Engineering Works, Kanegafuchi Spinning, and the Ōji Paper Company, came to be held by Mitsui Unlimited Partnership, and thus there came into being the Mitsui *konzern*, topped by a holding company.

In the case of Mitsubishi on the other hand, it was about eight years later than Mitsui, in 1917, that Mitsubishi formally adopted the form of a *konzern*, but the adoption previous to this, over the years

1908 to 1911, of independent accounting in each of the departments of undertakings under the control of Mitsubishi, a measure which was put into effect at substantially the same time, may be said to have brought Mitsubishi's transformation into a *konzern* to substantial realization. That is to say, in the case of Mitsubishi all the directly-affiliated Mitsubishi undertakings were carried on as directly run undertakings with the exception of the Banking Department (capital one million yen), but in 1908 the capital sums of the Mining Department and Shipbuilding Department were newly laid down as fifteen million and ten million yen respectively, and these Departments were caused to carry on their business within this sphere and to borrow from Head Office with the sanction of the head of Mitsubishi Limited Partnership in cases in which they still lacked capital funds. This institutional structure was further enlarged by the Business Department (capital ¥3,000,000) and the Land Department (capital ¥3,000,000) set up in January, 1911, while in October, 1912, the Mining Department was divided into a Mines Department (capital ¥6,000,000) and a Coal Mining Department (capital ¥8,000,000), so that finally it was composed of six Departments. Further, it was laid down that a certain proportion of the capital in each half-yearly period should be paid in to Head Office out of the net profits of each Department, and if we consider the capital of each Department to represent their share capital we may say that substantially this had the same effect as the formation of a *konzern*, since these payments to Head Office may be said to correspond to the payment of dividends. Further, after passing through these stages Mitsubishi Limited Partnership was first reorganised by having the Shipbuilding Department, the Keniura Iron Works, Korea, which was operated directly under Head Office and the Mitsubishi Paper Mills made independent as joint stock companies named Mitsubishi Shipbuilding & Engineering (capital fund ¥50,000,000), Mitsubishi Iron & Steel (capital fund ¥30,000,000) and Mitsubishi Paper (capital fund ¥2,500,000), and next, in April, 1918, the two Departments of Mines and Coal Mining were reorganized as the joint stock company named Mitsubishi Mining (capital fund ¥50,000,000), and the Business Department was reorganised as Mitsubishi Shōji (capital fund ¥15,000,000). Later this reorganization was carried further by the Insurance Department at Head Office being made into the joint stock company named Mitsubishi Marine & Fire Insurance (capital fund ¥5,000,000) and the Banking Department being made into the joint stock company named the Mitsubishi Bank (capital fund ¥50,000,000), further to which two joint stock companies named the Mitsubishi Internal Combustion

Engine Manufacturing Company (capital fund ¥5,000,000, later the Mitsubishi Aircraft Company) and Mitsubishi Electric Manufacturing (capital fund ¥15,000,000) were split off from Mitsubishi Shipbuilding & Engineering and set up as independent companies, so that with the addition of the Tokyo Warehouse Company, all of whose shares had been held by the Mitsubishi Banking Department since 1899, the directly-affiliated companies now numbered a total of ten. On the other hand, in May, 1918, Mitsubishi Limited Partnership itself, while increasing its capital to ¥30,000,000, or double its previous capital fund (the whole sum monopolistically made available by the house of Iwasaki), changed the aims of the company, which was now reorganized as purely a holding company with the functions of holding all the shares of the directly affiliated companies and also those of the collateral companies Nippon Yusen, Tokio Marine & Fire Insurance, Asahi Glass, etc., and thus Mitsubishi, too, brought its *konzern* form to full order both in name and in fact.

As a matter of the subjective intentions of those concerned, however, this reorganization of Mitsui and Mitsubishi in *konzern* form was carried out as being the task of the rationalizing management and administration by the adoption of the principle of limited liability and the separation of ownership from management, but this may be said to have occurred in conformity with the rational functioning of the joint stock company as an instrument for controlling and concentrating capital, and indeed was nothing other than what was demanded by the changed nature of their diversified management at this time as described above, but as another side to the matter this means that another function of the joint stock company—that of mobilizing social capital funds—was completely ignored at the time of these reorganizations. The shares of the directly-affiliated companies set up by these reorganizations were all private shares not available to the general public, and they were owned monopolistically by the two companies Mitsui Unlimited Partnership and Mitsubishi Limited Partnership. These facts may be taken to suggest that even in the period of transition to the stage of Imperialism Mitsui and Mitsubishi possessed a rich potential for self-accumulation and that even on the occasion of the development of diversification in the undertakings under their control of the kind which we have seen above they were able to supply the capital funds for capital accumulation over the whole, principally out of their own internal accumulation. Together with the fact which we have noted above, namely that the objects of financing by the banks under their control had their main emphasis

Table 9. PRINCIPAL ACCOUNTS OF THE MITSUI AND MITSUBISHI BANKS (1900-1920)
(in thousand yen)

	Paid-up Capital	Reserves	Deposits	Of Which Fixed Deposits	Total	Discounted Bills	Loans	Securities	Total	
Mitsui Bank	1900	5,000	4,500	26,695	10,031	36,205	17,950	5,288	14,019	37,257
	1910	20,000	1,000	90,247	51,250	111,248	35,856	41,534	21,197	98,587
	1920	60,000	24,200	426,261	237,068	510,461	175,061	123,569	60,369	358,999
Mitsubishi Bank	1900	1,000	1,141	11,680	4,332	13,821	8,360	3,443	2,629	14,432
	1910	1,000	5,190	33,695	8,646	39,885	22,429	5,151	10,337	37,917
	1920	30,000	3,450	264,550	148,254	298,000	27,463	176,638	53,143	257,244

Note: In August, 1918, the Banking Department of Mitsubishi Limited Partnership was reorganized as the Mitsubishi Bank.
Source: From appended Tables in *Mitsui Ginkō Hachijūnen-shi* and *Mitsubishi Ginkō Shi*.

Table 10. BALANCE SHEET OF MITSUBISHI LIMITED PARTNERSHIP (1902-1920)
(in million yen and percentage)

At Year End	Capital and Liabilities						Assets (partial)		
	Capital Fund	Reserve Funds	Iwasaki's Account	Profits	Total	Other	Grand Total	Capital Account	Current and Lending Account
1902	5.0 (21)	6.6 (28)	10.4 (43)	1.7 (7)	23.7 (99)	0.2 (1)	23.9 (100)	15.9 (66)	7.6 (32)
1907	15.0 (41)	0.8 (2)	13.5 (37)	2.7 (7)	32.0 (87)	4.9 (13)	36.9 (100)	15.3 (41)	21.3 (58)
1912	15.0 (33)	7.4 (16)	13.4 (29)	1.8 (4)	37.6 (82)	8.0 (18)	45.6 (100)	32.4 (71)	9.2 (20)
1914	15.0 (30)	11.0 (22)	13.4 (27)	2.7 (5)	42.1 (85)	7.4 (15)	49.5 (100)	34.5 (70)	9.0 (18)
1916	15.0 (21)	16.2 (23)	13.4 (19)	3.8 (5)	48.4 (69)	22.1 (31)	70.5 (100)	41.0 (58)	18.5 (26)
At Year End	Capital Fund	Reserve Funds & Funds Deferred	Profits	Total	Borrowed from Mitsubishi Bank	Other	Grand Total	Securities	Deposits at Mitsubishi Bank
1918	30.0 (26)	31.5 (27)	11.4 (10)	72.6 (62)	— (—)	44.0 (38)	116.9 (100)	100.7 (86)	1.9 (2)
1920	80.0 (48)	14.4 (8)	1.6 (1)	96.0 (57)	14.3 (9)	57.1 (34)	167.1 (100)	125.4 (75)	16.8 (10)

Sources: *Mitsubishi Gōshi Gaisha Shashi*, Vols. 8-24, and appended tables in *Mitsubishi Shashi*.

Table 11. BALANCE SHEET OF MITSUI UNLIMITED PARTNERSHIP (1909-1920)

At Year End	Capital and Liabilities					Assets (partial)				
	Capital Fund	Reserve Funds & Funds Deferred	Profits	Total	Borrowed	Deposits	Total (Incl. Others)	Negotiable Securities	Diverted Funds	Bank Account
1909	50.0 (74)	12.8 (19)	1.2 (2)	64.0 (94)	3.4 (5)	0.6 (1)	68.0 (100)	43.5 (64)	1.3 (2)	0.8 (1)
1913	50.0 (65)	18.3 (24)	1.8 (2)	70.1 (91)	5.5 (7)	1.0 (1)	76.6 (100)	51.2 (67)	1.8 (2)	2.1 (3)
1916	60.0 (58)	25.4 (25)	5.2 (5)	90.6 (88)	3.9 (4)	1.6 (2)	103.1 (100)	68.1 (66)	8.3 (8)	14.5 (14)
1918	60.0 (33)	108.9 (60)	8.1 (5)	177.0 (98)	0.0 (0)	2.9 (2)	180.5 (100)	144.3 (80)	6.2 (3)	9.8 (5)
1920	200.0 (68)	61.6 (21)	10.3 (4)	271.9 (92)	18.0 (6)	3.0 (1)	48.8 (100)	294.6 (84)	1.5 (1)	9.6 (3)

Source: *Mitsui Honsha-shi* Vol. 2, pp. 511-512.

Table 12. ASSETS AND LIABILITIES ACCOUNT OF MITSUI MINING COMPANY (1909-1917)

At Year End	Assets and Liabilities (in million yen and percentage)										
	Capital Fund	Reserve Funds	Profit & Loss Account	Total	Deposits	Bills Payable	Mitsui Unlimited Partnership	Mitsui Bussan Account	Bank Account	Others	Grand Total
1909	2.0 (10)	12.8 (67)	0.6 (3)	15.4 (80)	— (—)	1.0 (5)	0.9 (5)	0.6 (3)	0.1 (0)	1.2 (7)	19.1 (100)
1911	2.0 (11)	11.8 (65)	1.6 (9)	15.5 (85)	— (—)	— (—)	0.2 (1)	1.3 (7)	0.0 (0)	1.3 (7)	18.2 (100)
1913	20.0 (52)	1.5 (4)	2.3 (6)	23.8 (62)	1.2 (3)	2.9 (8)	10.0 (26)	— (—)	0.2 (1)	0.0 (0)	38.2 (100)
1915	20.0 (60)	5.0 (15)	3.8 (11)	28.7 (86)	1.6 (5)	1.6 (5)	1.3 (4)	0.0 (0)	0.2 (1)	0.0 (0)	33.4 (100)
1917	20.0 (38)	10.4 (20)	5.4 (10)	35.8 (68)	3.5 (7)	9.0 (17)	4.3 (8)	— (—)	— (—)	0.1 (0)	52.7 (100)

Note: Up to 1911 an unlimited partnership, after 1912 a joint stock company.

Source: "Mitsui Kozan Gojūnen-shi." (manuscript)

almost entirely outside the sphere of the affiliated undertakings (enterprises), we would seem to be able to support this contention with the evidence of the balance sheets of Mitsubishi Limited Partnership, Mitsui Unlimited Partnership, and Mitsui Mining as shown in Tables 10, 11 and 12. The self-financing form of accumulation was thus present from the start of the transformation of the *Zaibatsu* into finance capital.

It is now our final task to make clear in their connexion with Japanese capitalism the historical grounds for such self-financing and the finance capital diversification in the form of the comprehensive *konzern* of the kind which we have seen above being formed at the same time as the transformation of the *Zaibatsu* into finance capital, but we have only a very small amount of space in which to touch on this question. To draw attention only to the most essential points of the matter, firstly it would seem to be important that in Japan the heavy and chemical industries, although formed on a wide scale to a certain degree during this period, by no means realized international levels. At that time, when the products of the heavy and chemical industries were treated as international commodities, in Japan, which had already been fitted into the markets of the advanced countries of Europe and America as regards these products, only certain parts of these industries, based on military necessity, proved capable of being firmly established by being entrusted to state capital, which could ignore considerations of profitability. Further, it was this fact which caused the heavy and chemical industries run by the *Zaibatsu* to remain in the status of subsidiaries of the mining industry, and consequently, by making the demand for industrial capital funds relatively small, constituted the historical grounds for these funds being invested in a wide range of other enterprises in the light industry sector. This was because once the way was closed to firmly establishing the heavy and chemical industries to perfection by means of private investment from the public it was in inevitable course of events that the *Zaibatsu* investment should spread outwards into other undertakings. The second point is the connexion with the movement towards concentration of capital under the conditions of chronic business depression in the earlier half of this period, particularly up to the time of the First World War. This began first in the cotton industry and in banking, and in both these fields the piling up or concentration of capital proceeded as a result of a progressive decline in the number of enterprises, but in the majority of other sectors of undertakings the result was, considering the matter in its connexion with the first point, that the processes of the rise of enterprises and the concentration of enterprises

overlapped as they developed, and, as we have already shown in concrete terms to some degree, only a very small number of great enterprises directly under the control of the *Zaibatsu* developed, doing so by occupying monopolistic positions in their fields of industry from the first. It would seem permissible to say that this point also promoted still further development of diversification and self-financing accumulation. Thus we are able to confirm that the characteristics of the *Zaibatsu* form of Japanese finance capitalism to which we drew attention at the beginning of this paper were formed, firmly fixated, and reproduced in response to the three historical aspects of Japanese capitalism which we have seen above and by means of the grounds peculiar to each of these aspects.

This paper is a statement of the essential points of the first part, entitled "*Shiteki Bunseki* 史的分析 (Historical Analysis)," of the present author's *Nihon Kinyū Shihon Bunseki—Zaibatsu no Seiritsu to Sono Kōzō* 日本金融資本分析—「財閥」の成立とその構造 (Finance Capital in Japan—A Study of the Process of the Formation and the Structure of the "Zaibatsu"), Tokyo, Tokyodaigaku-shuppan-kai, 1965, to which reference should be made for a detailed account.