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## The Source of the Zaibatsu

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# The Source of the Zaibatsu

GABINO A. MENDOZA

**O**URS are revolutionary times. The leaders of most of the countries of the world today, watching the "revolution of rising expectations" that is swiftly transforming their peoples, are determined to foment, in the shortest time possible, an "industrial revolution" within the economies of their own countries. They see this as the only acceptable alternative to the old-fashioned shooting revolutions that threaten them should they fail.

To many of these leaders, Japan is an inspiration; proof positive that it can be done. Japan did it. It scrambled up from feudal times into the modern world within the space of only about sixty years.

Many explanations have been given for Japan's achievement; and undoubtedly many were the causes for her success. One may in fact say that industrial Japan was not built on one stone alone. Few will deny, however, that among the most basic of these 'stones' were the zaibatsu, those giant conglomerate enterprises that during her years of extraordinary growth were her spearheads into modern industry.

It is these zaibatsu that this paper proposes to examine. As grist for the minds of those concerned with the problem of "instant" industrialization, as well as of the merely curious, this paper will try to show how large these zaibatsu loomed in the Japanese scheme of economic things, quote eminent men's

explanations, respectfully, of how and why the zaibatsu came to be and finally, suggest that two men, both teachers, played an all-important role in the rise of these zaibatsu as Japan's "big" industrial enterprises, the foundation-stones of its modern economy.

One of the first impressions that hits a traveler in Japan is that of the smallness of things. Neatly cultivated little fields, busy little home-industries, austere little rock gardens, strange little dwarf trees, quaint little houses, charming little people—it is a little country filled with little things. Somehow the very idea of a zaibatsu, a company so gigantic that it has three million employees scattered about the world, as Mitsui had in the 1940's,<sup>1</sup> seems, to this land and these people, alien, incongruous, inconceivable almost. And yet the zaibatsu did take root in this ground; and flourished.

Starting out primarily as banking and trading companies, they began branching out during the Restoration period (1868 onward) into mining, transport and industry. So rapidly did they expand that by the end of the Meiji era (1912) most of them were full-fledged conglomerates; by the end of the 1930's they dominated the entire modern segment of the Japanese economy. Table I (p. 593) gives an idea of how widely the zaibatsu had spread themselves throughout the nation's economy by the time the Sino-Japanese war started in 1937.

Impressive as are these figures, they still give only an inkling of the tremendous power, the all-pervading influence that these zaibatsu had on the country's economic life. Their control over the country's credit facilities—the big four and two of the lesser groups, between them, controlled 57% of the total loanable funds of the private sector<sup>2</sup>—gave them working control over many of the smaller firms in the economy. This financial power that they possessed was further reinforced by their market power: their manufacturing companies,

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<sup>1</sup> T. A. Bisson, *Zaibatsu Dissolution in Japan* (Berkeley and Los Angeles: University of California Press, 1954), p. 25.

<sup>2</sup> Neil Skene Smith, "Japan's Business Families," *The Economist* (18 June 1938), p. 655.

TABLE I

Ratio of Paid-up Capital of Companies Under the Control\* of the Principal Zaibatsu (Whole Country = 100%)

<i>Industries</i>	<i>The Big Four<sup>b</sup></i>	<i>Five Lesser Groups<sup>c</sup></i>	<i>Total</i>
Mining	20.9	14.6	35.5
Basic Metals	9.2	5.5	14.7
Machinery and Shipbuilding	18.6	8.6	27.2
Chemicals	11.3	7.0	18.3
Ceramics	21.5	25.1	46.6
Textiles	8.2	2.1	10.3
Paper-making	4.9	7.2	12.1
Foodstuffs, Agriculture & Forestry	3.7	8.4	12.1
Banking	21.0	0.8	21.8
Trust	37.2	6.4	43.6
Insurance	49.0	1.5	50.5
Public Utilities	3.0	0.6	3.6
Land Transport	5.4	1.0	6.4
Shipping	16.2	3.0	19.2
Real Estate & Warehousing	16.1	5.1	21.2
Trading	5.3	1.1	6.4

\* Companies referred to as under the control of zaibatsu groups are domestic concerns only, controlled by their holding companies

<sup>b</sup> Mitsui, Mitsubishi, Sumitomo, & Yasuda

<sup>c</sup> Asano, Ayukawa (Nissan), Furukawa, Nomura & Okura

Source: Mitsubishi Economic Research Institute

through the purchase contracts that they could award or withhold, held almost life-and-death power over their myriad small suppliers; their trading companies—Mitsui alone, in the 1930's, handled about 20% of the entire country's total foreign trade, being responsible for 25% of the country's raw wool, about 33% of its raw cotton, and 50% of its wheat import requirements, as well as for 20% of its cement, 20% of its cotton textile, 33% of its silk, 33% of its sugar, and about 50% of its

coal exports<sup>3</sup>—could make available or deny to small producers the lucrative markets that they served. Finally, what they could not obtain by purely economic power they achieved by using the considerable political power that they had: through the officially established cartels and industry associations which they dominated, they allocated quotas and dictated policy for entire industries;<sup>4</sup> through the political parties, which they supported with their contributions, and the government functionaries that they placed in key posts—e.g., “the Finance Ministry, along with Commerce and Industry, was often held by zaibatsu executives such as Ikeda Seihin (Mitsui), Ogura Masatsune (Sumitomo), Yuki Toyotaro (Yasuda), and Fujihara Ginjiro (Mitsui, Nissan) . . .”<sup>5</sup>—they marshalled all the forces of government to confirm and further extend their already dominant position in the economy.

To those raised in the American milieu, with its deep-seated fears of business bigness, of tentacled monopolies, of economic power that corrupts . . . uneconomically, such concentrated power seems, somehow, sinful, unnatural, and, what is worst, undemocratic. The Japanese attitude, a bit more pragmatic, one may sum up as: power is as power does. And the power of the zaibatsu did very well, indeed, by the Japanese. The zaibatsu became, as Allen put it, “agents for the execution of government economic policy.”<sup>6</sup> In the areas of economic endeavor where, for rapid development, bigness was essential—in the extractive industries such as coal, copper, gold, and silver mining, in the primary manufacturing industries, in basic chemicals, in oil refining, in ship-building, in power generation, in ocean shipping—they were the pioneers, the venture capitalists, the innovators.<sup>7</sup> Mainly through their ef-

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<sup>3</sup> G. C. Allen, “The Concentration of Economic Control in Japan,” *The Industrialization of Japan and Manchukuo*. Schumpeter, Elizabeth B., et al., eds. (New York: The Macmillan Co., 1940), p. 633.

<sup>4</sup> *Ibid.*, p. 635.

<sup>5</sup> Bisson, *op. cit.*, p. 23.

<sup>6</sup> G. C. Allen, *A Short Economic History of Modern Japan* (London: Allen and Unwin, 1946), p. 132.

<sup>7</sup> William W. Lockwood, *The Economic Development of Japan* (New Jersey: Princeton University Press, 1954), pp. 227-28.

forts, Japan was able to superimpose, on a largely still backward economy, a framework, a super-structure of modern heavy industries which became what Hirschman has called "the growth poles"<sup>8</sup> of the entire economy, the leading sectors which created the imbalances that induced investment and growth in the lagging, more traditional sectors. In the last analysis, in Japan's industrial revolution, it was the zaibatsu that played the role of revolutionaries.

In one of Shakespeare's plays, the question is asked, "Upon what meat doth this our Caesar feed, that he is grown so great? . . . Why, man, he doth bstride the narrow world like a Colossus."<sup>9</sup> Much the same question has been asked about the zaibatsu by scholars and students of development economics the world over ever since the end of the 1930's. The answers they have come up with have been many and varied.

G. C. Allen, in 1940, attributed the growth of the zaibatsu into "huge businesses with a wide range of interests" to three key factors: first, the government's "great political ambitions"; second, the "scarcity of capital and entrepreneurial ability" in Meiji Japan; and finally, the "availability of a few business families—with notable recruits from the ranks of the samurai—which for decades, even centuries, had been engaged in banking and commerce on a large scale."<sup>10</sup>

In much the same vein, W. W. Lockwood, another economic historian, in 1954, referred to Japan's "ambition to acquire the sinews of national power as rapidly as possible—a national framework of banking and transport. . . (and) the heavy industries essential to military strength," its poverty in capital, as well as in advanced technical and entrepreneurial skills, and finally, the existence of "the few families and groups able to command the necessary capital and technical experience," as the combination of circumstances that gave rise to "the

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<sup>8</sup> Albert O. Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1964), pp. 188 ff.

<sup>9</sup> William Shakespeare, *Julius Caesar*, Act I, Sc. 2.

<sup>10</sup> Allen, "Concentration of Economic Control," *op. cit.*, p. 626.

great financial aggregations known as the zaibatsu (money-cliques)."<sup>11</sup>

From another viewpoint—he was writing on the “dissolution” of the zaibatsu—Bisson in 1954 saw the zaibatsu as being products of Japan’s authoritarian society. He pointed out that the “firm organization ties, disciplined action, paternalistic absolutism” of the zaibatsu, in effect, merely mirrored the structure and the mores of the Japanese society. He further made the point that the Japanese had “borrowed” Western industrial techniques and skills but had rejected the ideology, the principles, the attitudes that underlay industrialism in the West, i.e., the primacy of the individual, the *laissez faire* tradition, competitive enterprise, and other such things. “The ideological rejection,” he averred, “could not be and was not purely negative or neutral. . . . The restoration leaders wanted to keep their privileged ruling status. . . . The inner morale they relied upon was one of group cooperation and discipline, of hierarchy and status, of the personal leader and his band of followers, of *oyabun-kobun* (lord-to-vassal), and this morale the zaibatsu combine retained. . . . The controlling Japanese leaders of the Meiji era were not democrats, and the business structure they built was not democratic.”<sup>12</sup>

The Mitsubishi Economic Research Institute, in 1955, in true *oyabun-kobun* fashion, emphasized, in the growth of the zaibatsu from trading and banking houses into industrial complexes, the role played by “farsighted and enterprising” individuals—Mitsui, Iwasaki, Sumitomo, etc.—who “were given adequate opportunity to display their industrial genius in a period of economic revolution. . . . and were prepared to stake their wealth as industrial capital either at the request of the government or on their own initiative so as to contribute to the development of modern industries.”<sup>13</sup>

“The zaibatsu of modern Japan,” Hirschmeier maintained in 1964, “did not result from bourgeois wealth in combination

<sup>11</sup> Lockwood, *op. cit.*, p. 214.

<sup>12</sup> Bisson, *op. cit.*, p. 31-32.

<sup>13</sup> Mitsubishi Economic Research Institute, *Mitsui-Mitsubishi-Sumitomo* (Tokyo, 1955), p. 3. (Hereinafter referred to as MERI.)

with government guidance and subsidies." He pointed out that in the growth of the old merchant firms, the members of the Mitsui and the Sumitomo families were not the moving spirits; in the Mitsui zaibatsu he gave the credit to the House's great samurai banto (general managers), Minomura Rizaemon, Masuda Takashi and Nakamigawa Hikojiro; in Sumitomo, to Hirose Saihei, a samurai who headed the company up to 1914. The critical factor in the rise of the zaibatsu, according to him, was the emergence of the great Meiji entrepreneurs—Minomura, Masuda, Nakamigawa, Ikeda Seihin, and Asabuki Eiji of the House of Mitsui; Iwasaki Yataro, Toyokawa Ryohei, Kawada Keichiro, Shoda Heigo, and Kondo Rempei of Mitsubishi, the "samurai zaibatsu"; Hirose Saihei of Sumitomo, Yasuda, Okura, Furukawa, Asano, and Shibusawa—the "new men who had experienced at one point or another a final break with traditions, . . . who were carried away by a combination of personal ambition and nationalism, and to whom public acclaim was one of the most coveted rewards." It was these men, he argued, who chose the projects, made the investment decisions, and provided the energy and skill to carry them to success; it was these who "built" the zaibatsu.<sup>14</sup>

C. Northcote Parkinson, author of a famous law in organization theory, has enunciated still another "law", this time in the historical area, which expresses very neatly my own attitude towards these several explanations of the rise of the zaibatsu. He says: "... a theory of history is merely a point of view. While possibly valid in itself and useful . . . it does not exclude other points of view. Only the amateur historian seizes upon one viewpoint, one specified angle, height, and distance, arguing that all other descriptions are illegal, immoral, and wrong . . . All I can claim for my interpretation is that it may be thought specially relevant to the age in which we live."<sup>15</sup>

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<sup>14</sup> Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan* (Cambridge, Mass.: Harvard University Press, 1964), pp. 240-244; 289-91.

<sup>15</sup> C. Northcote Parkinson, *East and West* (New York: The New American Library, 1965), pp. v-vi.

With this as background, I submit that two teachers—Yoshida Shoin and Fukuzawa Yukichi—were of critical importance in the rise of the zaibatsu as big conglomerate enterprises. These two men, with their “Western” ideas and nationalistic ideals, molded the minds, inspired the hearts, and bound together the destinies of the samuraj elite who, in addition to over-throwing the Shogun, “restoring” the Emperor, and dominating the official life of the Meiji era (1868-1912), furnished the entrepreneurial skills required to introduce modern industry into feudal Japan and the managerial skills needed to administer the complex organizations that were required to operate these new industries. These two teachers, by sheer force of intellect and a fierce love for Japan, formed the small band of warriors that led the country and its people to their promised land.

Among the zaibatsu, there were two that towered above all the others: Mitsui and Mitsubishi. These two were the richest in resources, the most widely diversified, the most politically powerful, in short, the most successful. It can be said that if the zaibatsu led the rest of the Japanese economy into the modern world of industry, these two, by the example they gave in expanding to a broad range of industries, by the challenges that they posed in introducing innovations in the fields of finance, industry, and marketing,<sup>16</sup> by the precedents that they set in obtaining concessions and incentives from the government, blazed the trail for the other zaibatsu.

Table II (p. 599) gives an idea of the size of Mitsui and Mitsubishi in relation to the rest of the zaibatsu.

Neil Skene Smith who compiled the data in the table while he was a professor of economics in Tokyo's University of Commerce points out that they tend “to under-estimate greatly the relative importance of the big concerns, whose shares are worth from 30 to 100 per cent more than their nominal value, whereas those of smaller companies do not so often bear high premiums. Also there are numerous other companies largely under their control though not exactly affiliated

<sup>16</sup> Lockwood, *op. cit.*, p. 232-33.

TABLE II  
The Size of the Zaibatsu—Total Paid-Up Capital, June 1937

	Million Yen	% Of Total
Mitsui	1,177	7.7
Mitsubishi	848	5.5
Sumitomo	384	2.5
Yasuda	264	1.7
Four Lesser "Meiji" Groups <sup>a</sup>	570	3.7
Five "Shinko" Groups <sup>b</sup>	930	6.1
All Japanese Companies <sup>c</sup>	15,314	100.0

<sup>a</sup> Asano, Okura, Furukawa, & Kawasaki

<sup>b</sup> These "new" groups grew in the 1930's: Nissan, Nichitsu, Mori, Nisso, & Riken

<sup>c</sup> As at the end of 1936

Source: *The Economist*, June 18, 1938

to them."<sup>17</sup> In the light of this, perhaps the estimate made by Utley in 1936 was the more realistic one: "Mitsui owned about 20% and Mitsubishi 16% of the whole share capital of the country."<sup>18</sup>

Discussing the "boardinghouse reach" of these two companies, Utley says further, "There is hardly any industrial or trading activity in which the Mitsui are not concerned either as merchants or factory owners or bankers. . . Mitsubishi, second only to Mitsui in wealth and power, is freer of. . . connections with domestic and artisan industry. It is more (involved) in heavy industry. . ."<sup>19</sup> She then goes on to list the companies that were controlled by these two zaibatsu. As a matter of fact, making lists of the Mitsui and Mitsubishi companies is a game that writers on the zaibatsu have been unable to resist. It is such a fascinating game! One tortures oneself with, "Have I missed anything?" And invariably one has—there are many ways of controlling a company other than through

<sup>17</sup> Smith, *op. cit.*

<sup>18</sup> Freda Utley, *Japan's Feet of Clay* (London: Faber and Faber Ltd., 1936), p. 241.

<sup>19</sup> *Ibid.*, pp. 242-43.

ownership of equity. For the limited purposes of this paper, however, suffice it to say that the Mitsubishi Economic Research Institute, writing after the second world war when it had reason to strive for modesty, claimed that in 1937 Mitsui controlled 48 companies and Mitsubishi had 42 companies under its "influence."<sup>20</sup>

So ubiquitous was this "influence" of Mitsui and Mitsubishi, however, Utley points out, that although there were many millionaires in Japan, "...almost all who make their fortunes gravitate today into the orbit of Mitsui and Mitsubishi who dominate the entire economic life of the country... Kihara, Fujita, and Furukawa—giants of the second rank—are all financially controlled by Mitsui... Sumitomo is allied by marriage or adoption with Mitsubishi as well as with Mitsui..."<sup>21</sup> Even the shinko zaibatsu, those new groups formed by the military establishment in the 1930's to compete against the older family groups, were permeated by these two zaibatsu's influence. Allen points out, for example, that Ayukawa, founder of Nissan, which was by far the biggest of the shinko groups, was a protege of Kaoru Inouye, Mitsui's life-long "angel", and had "family connections with leading persons in the Mitsubishi groups." And, he adds, "...these connections count for much in Japan."<sup>22</sup>

The political power of these two zaibatsu was, to a non-Japanese businessman, "such stuff as dreams are made on..."<sup>23</sup> It was founded on such things as: the financial support that the House of Mitsui gave to the Southwestern clans in their struggle to "restore" the Emperor in the 1860's; the continuing contributions that Mitsui made to the Seiyukai Party and Mitsubishi to the Minseito Party (formerly the Kenseikai Party), the two major political parties during Japan's period of growth; the flow of zaibatsu managers into the government as cabinet ministers, officials of government banks and other financial institutions, heads of public corporations,

<sup>20</sup> MERI, pp. 7-8.

<sup>21</sup> Utley, *op. cit.*, p. 239.

<sup>22</sup> Allen, "Concentration of Economic Control," *op. cit.*, p. 645.

<sup>23</sup> William Shakespeare, *The Tempest*, Act. IV, Sc. 1.

etc., and the counter-flow into the zaibatsu of government bureaucrats whose early resignations from the civil service and subsequent employment by the zaibatsu became so evident that a foreign observer was moved to remark, "Under this system, so old and so well understood, government employees were really working for private interests for years before their retirement";<sup>24</sup> and finally, the "...personal ties among the several combine families and between their members and high government officials (which) formed a complex web of influence that permeated the zaibatsu system. A good example (of these ties) is offered by Baron Iwasaki Hisaya, head of the Iwasaki family that controlled the Mitsubishi combine. His second son married the daughter of Ikeda Seihin, a leading Mitsui executive. Ikeda held such positions as chairman of the board of Mitsui Gomei (the holding company), managing director of the Mitsui Bank, Minister of Finance, governor of the Bank of Japan, and member of the Privy Council and the House of Peers."<sup>25</sup>

The consequences of this intricate network of cooperation were inevitable. The Edwards Commission, investigating the zaibatsu after World War II, were shocked by "legislation on the books authorizing, and in many instances compelling, almost every conceivable type of monopolistic practice and procedure frowned upon in the United States and specifically prohibited by the Antitrust Laws."<sup>26</sup> The Commission need not have been shocked; as early as 1936, Utley had written, "The State forces all the small producers and traders to unite in guilds and associations. . . and a very large number of them have Mitsui or Mitsubishi men at their head. Out of 212 guilds of small manufacturers, 114 are thus connected with Mitsui and 68 with Mitsubishi."<sup>27</sup> But government patronage of these two zaibatsu went even more liberally, more deeply, and more directly.

Mitsui, as has already been mentioned, was a continuing recipient of favors from Count Kaoru Inouye, who, among "the

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<sup>24</sup> Bisson, *op. cit.*, p. 22.

<sup>25</sup> *Ibid.*, p. 21.

<sup>26</sup> *Ibid.*, p. 13.

<sup>27</sup> Utley, *op. cit.*, p. 240.

founders of modern Japan," was the financial man.<sup>28</sup> His very close friendship with Minomura Rizaemon,<sup>29</sup> the first of Mitsui's great samurai banto of the Meiji era, lead us to believe that it was through him that Minomura made the timely contribution to the Restoration Party which enabled the House to smoothly switch from being the Shogun's chief financial agent to acting as the Meiji government's official banker for almost 15 years, issuing currency for the New Administration and accepting government deposits on an interest-free, no-reserve-requirements basis.<sup>30</sup> One imagines too that he was greatly involved in the negotiations by which Mitsui won the contract to supply, during the Satsuma rebellion of 1877, two-thirds of the army's provisions, a contract which, in one year alone, permitted the company to increase its capital by five hundred per cent. . . .<sup>31</sup> Not the least of Inouye's services to Mitsui was his recruitment of two of the House's outstanding banto—Masuda Takashi (1880-1890) and Nakamigawa Hikojiro (1890-1901)—through whom, after Minomura's death, he dispensed the government's bounty.<sup>32</sup> Allen said of him, "Inouye worked in close association with Mitsui, and Mitsui, in return for the help it gave him, obtained possession on favorable terms of properties that belonged to the Shogun and the clan governments."<sup>33</sup> And, one might add, the plants that the Meiji government established during its first ten years were also disposed of in the same manner. And so, Mitsui acquired the Miike coal mines in 1890, the biggest in Japan and one of Mitsui's most valuable assets, and two textile mills—Shinmachi Spinning in 1887 and Tomioka Silk Filature in 1893—which became the base for its eventual dominance of the country's textile trade.<sup>34</sup>

Mitsubishi was equally favored by highly-placed patrons: by Count Shigenobu Okuma, Iwasaki's son-in-law, who was pri-

<sup>28</sup> Seiji Hishida, *Japan Among the Great Powers* (London: Longmans, Green and Co., 1940), pp. 178-179.

<sup>29</sup> Hirschmeier, *op. cit.*, p. 216.

<sup>30</sup> *Ibid.*, p. 214.

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*, pp. 217-19.

<sup>33</sup> Allen, "Concentration of Economic Control," *op. cit.*, p. 627.

<sup>34</sup> *Ibid.*

mier of Japan in 1898 and again in 1914-1916; by Primiers Kato and Katsura, both proteges of the great Prince Yamagata, founder of the modern Japanese army; by Shidehara, Iwasaki Hisaya's brother-in-law, who was Foreign Minister from 1929 to 1931 and Japan's first Prime Minister after the American occupation. These very influential contacts Mitsubishi put to good use. When Japan sent a punitive expedition against Formosa in 1874, Mitsubishi was able to obtain a lucrative government contract to transport the invasion troops and all the supplies they required. The company had, at this time, only 11 ships; to supplement these, the government bought 30 ships and entrusted these to Mitsubishi. Later, because the government was eager to further expand its merchant marine, it was easily persuaded by Count Okuma to grant Mitsubishi financial help in purchasing 30 more ships for its fleet.<sup>35</sup> It was with these vessels that the company, for a long time, held a monopoly of the country's coast-wise shipping and maintained dominance over its ocean-going fleet. In 1881 Iwasaki Yataro bought the government-owned Takashima coal mine; this, with the Yoshioka copper mine which he had acquired in 1873, formed the base on which he built Mitsubishi's mining complex. To these mines the company in 1896 added the government-owned Sado gold mine and the Ikuno silver mine.<sup>36</sup> In 1884 Iwasaki, wishing to integrate backward from his shipping interests, leased the government's Nagasaki shipyard; as was usual, the company later bought the Yard at very favorable terms<sup>37</sup> from the government; it became the foundation of Mitsubishi Heavy Industries, a company which by itself ranked among the big companies of the world.

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<sup>35</sup> *Ibid.*

<sup>36</sup> Hirschmeier, *op. cit.*, p. 243.

<sup>37</sup> As examples of these "favorable terms"; the government sold its Shinagawa Glass plant which had cost 350,000 yen to Nishimura for about 80,000 yen, payable in 55 years, the first installment falling due on the tenth year; the Ani Copper mine, acquired at a cost to the government of 1.6 million yen was sold to Furukawa for 250,000 yen payable in 29 years, with a down payment of only 10,000 yen and a five-year grace period before installment payments on the balance were due.

The story of the rise of Mitsui and Mitsubishi, the exemplars of the zaibatsu system, was in the last analysis the saga of a small band of samurai, some of them in the highest government positions, others at the top managerial levels of these two zaibatsu, cooperating with one another to achieve a common goal. These men were drawn together, united, motivated by ideas and ideals that they shared and which they had learned, acquired, absorbed from two men, the two great samurai teachers of the nineteenth century.

The first of these men was Yoshida Shoin (1831-1860), son of a samurai scholar, who became "the respected and revered teacher of some of the most influential leaders of the Meiji era." His school has been called "the altar on which was kindled the fires of the Restoration."<sup>38</sup> Among his most famous disciples were Prince Ito, Japan's first Premier and author of its Constitution, Prince Yamagata, the founder of Japan's modern army, Count Inouye, Mitsui's great patron, Iwasaki Yataro, founder of Mitsubishi. It was Yoshida who taught these and the other Meiji leaders—in government and in the zaibatsu—the nationalism that "fired" them with the missionary zeal to remake Japan into a rich, a powerful nation. In all his writings and in his lectures he constantly preached loyalty to the Emperor and the need for reform as the best means of assuring the defense and growth of the nation. "The nation," he said, "is destined to decline unless it advances and flourishes. Therefore, those who know how to look after the welfare of their country should...aim to reform and improve upon that which their country possesses... (and) strive to gain and add that which their country has not, thereby extending the power and glory of the nation beyond its borders."<sup>39</sup> It was this, Yoshida's vision of a rich and powerful Japan, that made it almost a necessity for the zaibatsu to grow, to expand, to become effective instruments of the country's expansionist policies.

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<sup>38</sup> Delmer M. Brown, *Nationalism in Japan* (Berkeley and Los Angeles: University of California Press, 1955), pp. 92-93.

<sup>39</sup> *Ibid.*, p. 121.

The second great teacher of the Meiji samurai was Fukuzawa Yukichi (1834-1901) who founded Keio University in 1871. A samurai himself, Fukuzawa convinced the samurai of his day that it was not dishonorable for a samurai to go into industry so long as it was done "for profit and for Japan."<sup>40</sup> Like Yoshida, he preached national greatness, prosperity and independence as the highest goals a man could aspire to. He taught his warrior students the managerial skills of the West; he sent his samurai managers into the zaibatsu as if to battle—inspired by love of country and the glory of the empire. Keio University, Hirschmeier tells us, "became the chief supplier of the leading Meiji business managers and entrepreneurs. The Mitsubishi and Mitsui zaibatsu in particular drew heavily on Fukuzawa's graduates to fill top positions in their enterprises."<sup>41</sup>

One of Mitsui's great banto, Nakamigawa Hikojiro, a samurai whom Inouye had recruited for the House, was a nephew of Fukuzawa and a Keio graduate. It was Nakamigawa who, at the turn of the century, made Mitsui into a conglomerate company. For the managers that he needed he "drew heavily on Fukuzawa's graduates for key positions within Mitsui and thus rid it of the remnants of Tokugawa merchant attitudes."<sup>42</sup> He was very greatly helped in this task by Asabuki Eiji, another Keio-trained manager, who spent a great deal of his time "scouting" Keio for managerial talent.<sup>43</sup>

Mitsubishi's Iwasaki was very close, not only to Count Okuma Shigenobu who in 1880 founded the other leading private school in Japan, Waseda University, but also to Fukuzawa.<sup>44</sup> From Keio he obtained most of the samurai managers who helped him build Mitsubishi into the conglomerate company that it became by the end of the century: Shoda Heigo, a former Keio teacher, who modernized the Nagasaki Yard and built the company's Marunouchi Office

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<sup>40</sup> Hirschmeier, *op. cit.*, pp. 164-167.

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*, p. 221.

<sup>43</sup> *Ibid.*, p. 284.

<sup>44</sup> *Ibid.*, p. 226.

Center; Toyokawa Ryohei, banker; Kondo Rempei who later became President of Mitsubishi's shipping and mining subsidiaries. So many were the Keio men that Mitsubishi hired that "people used to say the Mitsubishi company was run by Iwasaki's money and Fukuzawa's men."<sup>45</sup>

This paper has been an exercise in following the river of Japanese economic development to its source. The development of the Japanese economy as a whole may be traced to the leading role played by the country's modern industrial sector; the growth of modern industry in Japan may be attributed, very greatly, to the expansionist zaibatsu; the zaibatsu system was shaped, to a large and decisive extent, by the directions that Mitsui and Mitsubishi took; these directions were determined by the samurai government officials, entrepreneurs and zaibatsu managers who made up the elite of Meiji Japan; this elite was taught, inspired and unified by the thoughts, the convictions and the aspirations of Yoshida Shoin and Fukuzawa Yukichi, teachers.

These, then, were the source: great teachers.

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<sup>45</sup> *Ibid.*, p. 167.