Zaibatsu, Prewar and Zaibatsu, Postwar

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THE Zaibatsu are said to be reviving in Japan.[1] In his widely-read *Nippon Keizai Nyumon (Introduction to the Japanese Economy)* Professor Nagasu wrote in 1959:

> The Zaibatsu have steadily built their power and have revived. No, more than that. Before the war, the Zaibatsu had to share their hegemony with large landowners and were under the Emperor and the militarists, but now there are no militarists or large landowners. The Emperor, too, has become an accessory. The power of Japan now rests squarely in the hands of the Zaibatsu, the sponsors of the Conservative Party.[2]

Many authors now share this view.[3]

This article is intended to show, however, that the word Zaibatsu as used to describe economic concentration in Japan underwent a marked change in meaning between the prewar and postwar periods. Recent use of this term is inaccurate and misses many of the fundamental structural changes which have taken place in the Japanese economy since the end of the Second World War.

The term Zaibatsu has been in use for over half a century. Many economists have defined it, and the following three characteristics are usually attributed to a member of the Zaibatsu group:[4]

(a) Semi-feudal characteristics, in that centralized control rests in a Zaibatsu family, which extends its power through strategically arranged marriages and other personal knight-vassal dedication relationships.

(b) Well-knit, tightly controlled relationships among the affiliated firms by means of holding companies, interlocking directorships, and mutual stockholdings.

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1 Under the caption of *Just Like Old Times, Time* magazine recently stated: "The postwar U. S. breakup of Japan's Zaibatsu, the huge and powerful prewar cartels that controlled practically all of Japanese industry, was the most ambitious antitrust action in history. The re-emergence of the Zaibatsu has been hardly less ambitious." *Time,* August 20, 1963. See also *The Oriental Economist,* which argues that "Not only have they (Zaibatsu) survived, but their strength has grown." *The Oriental Economist,* xxvii (Tokyo, Jan. 1959), 10.

2 Nagasu Kazusi, *Nippon Keisai Nyumon (Introduction to the Japanese Economy)* (Tokyo, 1959) p. 118.

3 Many articles and several major works support this view. To list only a few: Giga Sōichiro, *Gendai Nippon no Dokusen Kigyō (Monopolistic Enterprises of Modern Japan)* (Tokyo, 1962); Tsuru Shigeto, *Essays on Japanese Economy* (Tokyo, 1958), Chapter 4; and Aihara Shigeru, ed., *Nippon no Dokusen Shihon (Monopolistic Capital of Japan)* (Tokyo, 1959).

4 Minobe Ryukichi emphasizes (a) in his *Sengo Keizai no Saihensei (Reorganization of Postwar Economy)* (Tokyo, 1953), pp. 96–99; (b) is stressed by Usami Seijiro in his *Nippon no Dokusen Shihon (Monopolistic Capital of Japan)* (Tokyo, 1953), p. 17; (c) is mentioned by all those consulted but emphasized most by Koga Hidemasa, *Nippon Kinyu Shihon Ron (The Theory of Japanese Financial Capital)* (Tokyo, 1957) p. 87.

(c) Extremely large financial power in the form of commercial bank credit, which is used as the central leverage to extend control in all industries.

Stating the above differently, Lockwood observed:

Each of the Big Four combines remained a family enterprise in some degree. The exact pattern of control varied from one to another. The Sumitomo interests were almost entirely owned and directed by the single head of the family. The Mitsubishi combines were controlled by two Iwasaki families, with common responsibility vested alternatively by custom in the eldest son of one family, then of the other. The eleven branches of the Mitsui family acted as a unit in accordance with formal household rules, last revised in 1900. They held 90 per cent of their wealth collectively. Policies were decided through a family council presided over by the head of the elder son's family.[5]

More generally, one economist defined Zaibatsu as:

a form of monopolistic *konzern,* but in that its capital controlled an extremely high percentage of stocks of affiliated firms in many industries and in that its capital effectively extended its influence into all sectors of the economy . . . the Japanese Zaibatsu formed a unique type of *konzern.*[6]

This was the Zaibatsu of prewar years. How much change has there been?[7]

The Extent of Prewar and Postwar Zaibatsu Control

We can start our examination with a comparison of the differences between the asset-holding patterns and the financial structure of the prewar and postwar Zaibatsu. By the late 1930's, financial control by Zaibatsu families was extensive by any

TABLE I—LOANS MADE BY FOUR ZAIBATSU BANKS IN 1944
(in Million Yen)

Name of Bank	Amount of Money Lent	Percentage of All Loans Made
Mitsui	2,604	29.1
Mitsubishi	1,740	19.5
Sumitomo	1,290	14.4
Yasuda	1,068	11.9
Total of 4 banks	6,702	74.9
Total of all Banks	8,943	100.0

Source: Holding Companies Liquidation Committee (H.C.L.C.), *Nippon Zaibatsu to Sono Kaitai* (*The Japanese Zaibatsu and their Dissolution*) (Tokyo, 1962), p. 63.

[5] W. Lockwood, *The Economic Development of Japan* (Princeton University Press, 1954) p. 215.

[6] Suzuki Mosaburo, *Nippon Dokusen Shihon no Kaibō (Anatomy of the Japanese Monopolistic Capital)* (Tokyo, 1935) p. 37. Professor Edwards, describing the extensive financial control of Zaibatsu, found it "beyond comparison in the world." C. D. Edwards, "The Dissolution of Zaibatsu Combines," *Pacific Affairs,* XIX (September 1946).

[7] Or, in view of the trust-busting measures effected by the Supreme Commander of Allied Powers (S.C.A.P.) immediately following V-J day, we could ask: Did the Zaibatsu which were dissolved by the S.C.A.P. immediately after the Allied Occupation revive?

standard. This can best be seen by examining the Zaibatsu banks, which acted as the central nerve of their holding-company operations. In 1944, loans made by four Zaibatsu banks amounted to 74.9 per cent of all bank loans.[8] The Mitsui family owned 67.6 per cent of the Mitsui Bank; the Iwasaki family owned 43 per cent of the Mitsubishi Bank; the Sumitomo family, 34.5 per cent of the Sumitomo Bank; and the Yasuda family, 30.9 per cent of the Yasuda Bank. These percentages do not include the shares held by the subsidiaries of each combine,[9] and hence understate the degree of Zaibatsu control of each of the banks.

With the assistance of this extensive financial power, each Zaibatsu group controlled numerous firms. For example, the Mitsui on the eve of surrender (see Tables II and III) controlled 46 subsidiaries and 143 affiliated firms.[10] A similar pattern of control can be seen for other Zaibatsu families; Mitsubishi controlled 28 subsidiaries and 153 affiliates, Sumitomo controlled 19 subsidiaries and 186 affiliates, and the last of the four Zaibatsu, Yasuda, controlled 19 subsidiaries and 18 affiliates.

These pyramids of Zaibatsu family, bank, and firms penetrated all segments of the economy. A tabulation compiled by the H.C.L.C. clearly shows the power enjoyed by these families. (See Table IV on Page 543.)

The postwar Japanese economy presents a drastically different picture. The former Zaibatsu families were ordered to liquidate their banking interests, and their holding companies were dissolved by order of S.C.A.P.[11] In 1960, the largest banks were owned by various firms and individuals but not by families. The Mitsui bank furnishes an example of the change which took place. (See Table V on Page 544.)

TABLE II—FIRMS CONTROLLED BY THE MITSUI[a] IN 1945 BY ASSET SIZE

Asset Size[b] (yen)	Subsidiaries	Affiliates
Less than 500,000	8	38
500,000—1 million	1	27
1 million—5 million	8	40
5 million—10 million	5	19
Over 10 million	24	19
TOTAL	46	143

[8] Because of a policy to promote bank mergers, adopted in 1927, the four Zaibatsu banks by 1931 jointly had 38.2 per cent of the total national deposits in their banks vis-à-vis 22.1 per cent which they had held in 1926 just before the policy was initiated. This trend continued until the end of World War II. In this sense, the 1944 figures overstate the degree of Zaibatsu bank dominance if we are to consider them as representative prewar figures. Katō Toshihiko, *Nippon Ginkōshi Ron (The History of Japanese Banks)* (Tokyo, 1957), pp. 130–211.

[9] Higuchi Hiroshi, *Zaibatsu no Fukkatsu (The Revival of Zaibatsu)* (Tokyo, 1953), pp. 42–45.

[10] The Holding Companies Liquidation Committee (H.C.L.C.) stated that when a Zaibatsu holding company owned at least 10 per cent of a firm, the firm was a subsidiary of the Zaibatsu. Affiliates were those firms 10 per cent or more of whose shares were held by a subsidiary or subsidiaries of the same Zaibatsu. In reality, this minimum requirement was well surpassed. When the Zaibatsu were ordered to report all the firms which they considered under their "absolute control," these 183 firms were reported by Mitsui to S.C.A.P. as belonging to such a group. The subsidiaries and affiliates of other Zaibatsu described below also were so reported by each Zaibatsu combine.

[11] S.C.A.P. decrees on *Dissolution of Holding Companies,* December 1945, and on *Limitation of Stockholding and Other Matters,* July 1946. For detail, see T. A. Bisson, *Zaibatsu Dissolution in Japan* (University of California Press, 1954), Chapters 5 and 6.

TABLE III—PROPORTION OF STOCK OWNED BY MITSUI IN ITS SUBSIDIARIES AND AFFILIATES IN 1945

Percentage Owned by Mitsui in Subsidiaries	Number of Subsidiaries	Percentage Owned by Subsidiaries in Affiliates	Number of Affiliates
0— 9	1(c)	0— 9	0
10— 19	1	10— 19	20
20— 29	2	20— 29	20
30— 39	8	30— 39	12
40— 49	4	40— 49	14
50— 59	4	50— 59	20
60— 69	9	60— 69	7
70— 79	6	70— 79	8
80— 89	1	80— 89	8
90— 99	5	90— 99	11
99—100	5	99—100	23
TOTAL	46		143

Source: Re-arranged from H.C.L.C., *Data Volume*, pp. 468-472.

(a) In this case Mitsui refers to the Mitsui Family and the Mitsui Trust, 63 per cent of whose shares were owned by the Mitsui Family.

(b) Less than 8 per cent of firms in Japan in 1940 had assets larger than 500,000 yen, and only 0.75 per cent had assets exceeding 10,000,000 yen.

(c) This was Mitsui Light Metal, but 36 per cent of their shares were owned by Mitsui Mining, another subsidiary.

The remaining shares were distributed among individuals, none of whom owned more than 1 per cent of the total. All other former Zaibatsu banks were similar in their ownership patterns, and the extent of loans made by the four in 1958 was much smaller than in 1944, as we see in Table VI on Page 544.

These former Zaibatsu banks are now publicly owned and their loans have been considerably reduced.

After the dissolution of the Zaibatsu holding companies and changes in the ownership of former Zaibatsu banks, the stockholding pattern of large firms also underwent a visible change, as can be shown from an observation of the 120 largest manufacturing firms (in terms of total assets) which are usually market leaders, i.e., those ranking high in each market in terms of concentration ratios.[12] We find that these corporations in 1960 were no longer "controlled" by one bank or absolutely owned by a family interest. The percentage of the total shares owned by the largest holders in each of these 120 firms appears in Table VII on Page 545. It is noteworthy that the largest single stockholder in 59 out of 120 firms owned less than 5 per cent, and the largest single stockholder in 38 firms owned less than 10 per cent, but more than 5 per cent.[13] Let us examine the three largest shareholders in

[12] These concentration ratios are in terms of total value shipments in yen by a firm divided by the total value of shipment in a market. For measures of concentration, see M. Adelman, "The Measures of Industrial Concentration," *Review of Economics and Statistics*, xxxiii (November 1951) 278.

[13] Of course these percentages can be significant in terms of possible control, especially when the stockholding is diffused. Also see footnote 38.

TABLE IV—FINANCIAL CONTROL OF ZAIBATSU IN TERMS OF CAPITAL-PAID-IN IN VARIOUS SECTORS OF THE ECONOMY IN 1942

Industry		(in 1,000 yen) Total Capital (A)	4 Zaibatsu Capital (B)	(B)/(A)
Financial				
Banking		1,006,381	482,836	48.0
Credit		41,000	35,000	85.4
Insurance		168,312	86,250	51.2
	Total	1,215,693	604,086	49.7
Heavy Industries				
Mining		3,070,750	867,725	28.3
Metal		3,829,681	1,009,355	26.4
Machine tool		6,018,598	2,780,065	46.2
Shipbuilding		1,613,811	81,372	5.0
Chemical		2,968,529	930,554	31.4
	Total	17,501,369	5,669,071	32.4
Light Industries				
Paper		535,144	24,111	4.5
Cement *		315,486	89,476	28.4
Textile		1,288,869	224,119	17.4
Food (Canning)		1,182,641	32,239	2.7
Others		1,265,722	123,062	9.7
	Total	4,587,862	493,007	10.8
Others				
Electric-gas		3,825,574	20,000	0.5
Transportation		933,090	45,611	4.9
Shipping		992,080	603,074	60.8
Land, Building Warehouse		599,602	136,264	22.6
Shoji, Exp.-Imp.		2,723,796	369,750	13.6
	Total	9,074,142	1,174,699	12.9
GRAND TOTAL		32,379,066	7,940,863	24.5

Source: Computed from H.C.L.C., *The Japanese Zaibatsu and their Dissolution, The Data Volume*, p. 469. The (B)/(A) ratio appearing against *total* is the simple arithmetic average of that sector.

*H.C.L.C. put cement in light industries in the original data.

the five leading firms of these above-mentioned 120. (It should be noted that these five firms are a biased sample in the sense that they over-represent holders with

TABLE V—NINETEEN LARGEST OWNERS OF THE MITSUI BANKS IN 1960

Owners	Percentage of the total shares held by owner
Mitsui Life Insurance	2.82
Nihon Life Insurance	2.22
Toyota Motor Car	2.08
Mitsui Trading	1.98
Dai-Ichi Life Insurance	1.94
Tokyo Shibaura Electric	1.67
Taisho Marine Insurance	1.66
Toyo High Pressure	1.44
Nihon Sekiyu	1.44
Onoda Cement	1.22
Fujikura Electric Wire	1.22
Meiji Life Insurance	1.2
Toyota Weaving Machine	1.2
Asahi Life Insurance	1.2
Tokyo Electric Power	1.2
Nihon Mining	1.2
Nihon Milling Industry	1.2
Hokkaido Coal Mining	1.2
Mitsui Mining	1.2

Source: This table was compiled for the author by Mr. Misonou Hitoshi of the Fair Trade Commission, based upon the unpublished F.T.C. study on concentration of ownership of legal persons (*Ho-jin*).

Zaibatsu names.) Even if we were to grant, for the moment, that such stockholders as the Yamato,[14] Mitsui, Mitsubishi, and Sumitomo Banks are the so-called Zaibatsu banks, we must note the striking contrast to prewar days. (See Table VIII on Page 546.)

The Mitsui in 1928 owned an average of 69.4 per cent of the shares in the ten largest Mitsui-affiliated firms.[15] The Mitsui Bank in 1960 owned only 1.67 per cent of Mitsui Mining, and was not even the largest holder. The largest holder was the Yamato Bank, and it should be noted that in pre-war days no two Zaibatsu were found together in the list of the largest stockholders of the large firms in Japan. Their rela-

TABLE VI—COMPARISON OF LOANS MADE BY EACH ZAIBATSU BANK IN 1944 AND BY EACH "RESURGENT ZAIBATSU BANK" IN 1958
(Percentage of Total Loans Made by All Banks)

	Mitsui	Mitsubishi	Sumitomo	Yasuda-Fuji
1944	29.1	19.5	14.1	11.9
1958	4.7	7.2	6.8	7.5

Source: 1958 figures were taken from Fair Trade Commission, *Shuyo Sangyo ni okeru Seisan Schuchudo* (*Concentration Ratios of Major Industries*) (Tokyo, 1958) pp. 18-21.

[14] Yamato Bank is the former Nomura Bank, which was considered a second-rate (minor) Zaibatsu in prewar years. According to the amount of loans made by this bank, it is not among the ten largest.

[15] Higuchi, p. 43.

TABLE VII—LARGEST STOCKHOLDER CLASSIFIED ACCORDING TO HOLDING
(Percentage of Total)
—1960—

Industries	Less than 5%	6–10%	11–20%	21–30%	31–40%	41–50%	51–60%	91–100%	Total Firms
	Firms in which the largest shareholder had								
Food	5	2							7
Textiles	8	2	1						11
Pulp and Paper	3	7							10
Chemical	15	10	1						26
Petroleum refining	3	1				4(a)	1		9
Rubber products					2(b)				2
Cement and Glass	2	1	2						5
Iron and Steel	8	2	3		1	1			15
Non-ferrous metal		1	1			1		2(c)	5
Metallic products		1							1
Machine tools	2								2
Automobile and other	10	6		2					18
Electric & electronic prod.	3	5		1					9
TOTAL	59	38	8	3	3	6	1	2	120

Source: The data for this table were obtained from an unpublished study by Misonou Hitoshi of the F.T.C., *Daikigyo niokeru Kabushiki Shoyu* (*Stockholdings of the Largest Firms*) 1960.

(a) The holdings by three foreign companies in three firms as the largest holders boost the average of this industry: Anglosaxon Petroleum Co., 50 per cent; Tidewater Petroleum Co., 49 per cent; Standard Vacuum Oil Co., 55 per cent.
(b) In one firm, the Goodrich Corporation owns 35 per cent as the largest owner.
(c) Two firms in this industry are owned by the users of their products. Theoretically, they could be considered as their plants, since one of them is totally owned by its user and the other has 97.35 per cent of the shares.

tionship was usually, as Lockwood put it, "dog-eat-dog rivalry,"[16] and today there is no reason to believe that these large banks are less than fiercely competitive. Jyujo Paper is a striking example, in that three so-called Zaibatsu are listed as its three largest owners.[17] In the old days of Zaibatsu control, such a grouping would have been inconceivable except in the rarest cases of joint ventures.

Mutual Stockholding Patterns of Banks and Firms, and Interlocking Directorships

In spite of this evidence, Professor Nagasu and others maintain that the large banks are still centers of re-emerging Zaibatsu. For example, Giga flatly states that "These financial institutions (banks and other financial intermediaries) are the most

[16] Lockwood, p. 230.
[17] The case of Jyujo Paper is quite typical. The major reason for this is the acute capital shortage existing since the end of the war. Many firms, including the largest ones, had to borrow from any bank which was willing to lend to meet their investment needs. The shortage became still more acute after the Korean War, when a series of "rationalizations" (*gōrika*) began.

TABLE VIII—THE THREE LARGEST SHAREHOLDERS OF FIVE SELECTED LEADING FIRMS
—1960—

Industry	Name of Firm	Largest Holder	%	2nd Largest Holder	%	3rd Largest Holder	%
Coal Mining	Mitsui Mining	Yamato Bank	4.42	Nomura Securities	3.99	Mitsui Bank	1.67
Chemical Textile	Toyo Textile	Mitsubishi Credit	4.92	Yamato Bank	4.60	Japan Life Insurance	2.09
Paper	Jyujo Paper	Mitsubishi Credit	6.50	Yamato Bank	4.24	Sumitomo Bank	4.10
Iron & Steel	Yawata Steel	Japanese Bank Industrial	2.82	Yamato Bank	2.47	Mitsubishi Credit	2.07
Electric Products	Toshiba Electric	Int. G.E. (U.S.A.)	7.16	First Life Insurance	4.04	Yamato Bank	3.48

Source: Same as for Table VII.

important links, in their stockholding pattern, in *Konzerns* and therefore for 'Zaibatsu revival'."[18]

Like others, he bases his argument on the fact that the Zaibatsu-affiliated firms own their respective Zaibatsu banks, and their mutual stockholding pattern is such that these "well-knit" bank-firm groups are Zaibatsu. Taking the Mitsui Bank as an example, we can examine Giga's data. He found that nineteen so-called Mitsui-affiliated firms jointly owned 16.2 per cent of the Mitsui Bank as of 1960, and that the Mitsui Bank then invested in these firms.[19] The danger lies in not examining these figures a step further. We learn that one of these nineteen firms owned 2.6 per cent of the Mitsui Bank, and that this was the largest percentage owned by any firm in this group of nineteen "Mitsui affiliated" firms. A firm owning merely 12,000 shares (less than .07 per cent) out of the total of 18,000,000 shares of the Mitsui Bank was also included in this group of nineteen.[20]

Let us now examine how much "control" the Mitsui Bank had in these nineteen firms. The group included Mitsui Mining, in which the bank was the third largest holder, with 1.67 per cent of the total shares. In Mitsui Chemical, another in this group, the bank owned 2.14 per cent, again as the third largest holder; and in Mitsui Shipbuilding, the bank was not even one of the three largest holders. The "control" the bank had in these nineteen firms was, to say the least, extremely tenuous, though they were classified as Mitsui-affiliated firms.

A similar observation could be made for other so-called Zaibatsu banks. For example, if we take ten "Mitsubishi-affiliated" firms which had borrowed over one billion yen or more from the Mitsubishi Bank, we find that in no case was the

[18] Giga, pp. 265-266.

[19] Data for this paragraph and the two following are obtained from Giga, p. 269, and the Misonou data as identified in the source for Table VIII.

[20] As of June 1942, the largest shareholders of the Mitsui Bank were: the Mitsui family (475,977 shares), Mitsui Hon-onkai (200,000), and Mitsui Insurance (16,200); i.e., these three owned nearly 67 per cent of the total (one million shares). Higuchi, p. 43.

Mitsubishi Bank the largest stockholder. In three firms, the bank was the third largest holder; in four, the fourth; in one, the sixth; in one, the ninth; and in one, the fifteenth largest holder. Five of these firms received their largest loans from government banks, and in five other cases the largest loans were from other "Zaibatsu banks."[21] In short, what is meant by Mitsui- or Mitsubishi-affiliated firms is that some part of their shares was owned, in however small a portion, by one of these formerly Zaibatsu banks. There is no reason to suspect that these so-called affiliated firms acted according to the will of these banks. In many cases, one firm can be "affiliated" with several large banks, which often include one of the government-owned banks.

Along with these bank-firm "financial connection" arguments to "prove Zaibatsu revival," we often find that the Zaibatsu revivalists—if we can so label them—stress mutual stockholding among "Zaibatsu firms." One such example can be found in a recent book by Professor Tsuru:

> The new Mitsubishi Shoji Company came to hold significant parts of shares of Mitsubishi-related firms, such as the Mitsubishi Bank, Mitsubishi Marine Transportation Company, New Mitsubishi Heavy Industry Company, Mitsubishi Chemical Company, and Mitsubishi Electric Equipment Manufacturing Company. In this manner, the interlocking ownership of the former Mitsubishi Zaibatsu firms is becoming rapidly as close as it was before the war.[22]

But when these "significant parts of shares" are examined numerically, we find that the following was the case in 1960:[23]

TABLE IX—STOCKHOLDINGS OF MITSUBISHI SHOJI (Trading) IN "MITSUBISHI-AFFILIATED" FIRMS
—1960—

Name of Company	Total Shares	Shares Owned by Mitsubishi Shoji	Percentage owned by Mitsubishi Shoji
Mitsubishi Bank	220,000,000	2,277,000	1.25
Mitsubishi Marine Transportation	96,000,000	1,501,000	1.60
Mitsubishi Chemical	200,000,000	838,000	0.42
Mitsubishi New Heavy Equipment	246,960,000	1,103,000	0.44
Mitsubishi Electric Equipment	265,000,000	961,000	0.37

[21] A table in *The Oriental Economist* which was to show the interlocking shareholding pattern of "the Mitsubishi Group Affiliates" suffers from the same weakness as Giga's work. The cross-classification of mutual shareholding of twenty-four firms, upon further examination, discloses the weakness of the link among these firms rather than the cohesion implied. In clear contrast to the prewar pattern, we find in the table that the largest owner of the Mitsubishi Shoji (trading) is Tokyo Marine and Fire, with 6.95 per cent. But the latter holds, as one of the three largest shareholders, shares in such firms as C. Itoh, Meiden-Sha, and Ataka Sangyo, which are classified as Sumitomo affiliates by Giga and others. We also note that only 3.75 per cent of the total shares of Tokyo Marine and Fire is owned by the Mitsubishi Bank. "Zaibatsu Revival?" *The Oriental Economist*, XXVI (June 1958) 348–349.

[22] Tsuru, pp. 69–70.

[23] Computed from Giga, pp. 270–271. The Giga data against which the statement of Professor Tsuru was checked are for 1960, two years after the publication of Professor Tsuru's book.

To say that Mitsubishi Shoji owned "significant parts" of "Mitsubishi-affiliated firms" is unwarranted, and the statement made by Professor Tsuru must be interpreted in the light of the above knowledge. Several other cases of mutual holding among large firms recently cited by Japanese writers fail to establish the point intended when examined in more detail.[24]

Interlocking directorship is invariably mentioned by the revivalists as an effective link in the Zaibatsu revival. Some writers are ready to accept all firms which list a former Mitsubishi officer as their director or auditor as members of "the Mitsubishi-affiliates." Many others tabulate names of firms which have interlocking directors and infer, without further evidence, that these firms are elements of a reviving Zaibatsu whose will is coordinated by these directors.[25] But in view of the much reduced mutual shareholdings which we have observed earlier, and also in view of the drastically changed economic structure of postwar Japan, a careful qualitative study of postwar interlocking directorship is required before one advances what he observes today as evidence for revival of well-knit clusters of firms which are "controlled by monopoly capital."[26] In the absence of evidence, the postwar interlocking directorship must be considered different from that of prewar years.

Before the war, interlocking directors were overseers from *Honsha* (the parent company) and they were dispatched to carry out a centralized *Honsha* policy. "So strict was the control over personnel that, prior to dissolution, all interchanges of employees, both executives and staff, among subsidiaries were directed by Sumitomo Main (*Honsha*), which also undertook the original hiring and assignment."[27] Under such circumstances, interlocking directors possessed power akin to that of a colonel from the office of the Inspector General. Interlocking directors of today seem far from overseers or effective coordinators. There exists "a manifest sign of keen competitiveness among the firms in an affiliated group in production of a commodity or in gaining the hegemony in the market," even when interlocking directors are found for the so-called affiliated group. To cite only two well-known cases of "Intra-affiliated firm" competition, two "Mitsubishi-affiliated" and interlocked firms are known to have been keenly competitive in the production of chemically processed lead, and three "Mitsubishi-affiliated firms," also interlocked, have engaged in competitive bidding in order to obtain a patent-lease agreement with an American firm.[28]

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[24] Examining the so-called "proofs" of mutual stockholding among "reviving Zaibatsu firms," we discover that the standards used by the revivalists are quite subjective and vary considerably from one author to another. No two authors seem to agree upon the degree of financial connection necessary for two firms to be called "financially connected." There are cases in which a firm is identified as "Mitsui-affiliated" by one author and as "Mitsubishi-affiliated" by another. According to one economist, two giant firms could be considered as financially connected for the purpose of Zaibatsu revival if both of them happen to own a small percentage of the shares (even less than 1 per cent) of a third small firm. Another economist grouped all firms whose largest holders were foreigners and called these firms "foreign Zaibatsu." Giga, Chapter 6, "Dokusen Kinyūkikan to Dokusenteki Sangyoshihon tono Yugō Yuchaku Kankei no Kyōka" ("Monopolistic Financial Organizations and their Fusion with Industrial Capital"); Shimazaki Teruo, *Nippon no Ginkō (Banks in Japan)* (Tokyo, 1961); Yonemura Hajime, "Seijyōka Katei ni okeru Keiretsuyūshi no Kentō" ("An Examination of Financial Connection in the Stage of Normalization"), *Kosei Torihiki* (Tokyo, 1956) pp. 2–14.

[25] See for example Higuchi, pp. 46–53.

[26] This is a pet phrase of the revivalists, though never defined.

[27] *The Oriental Economist,* XXVII (July 1959), 414.

[28] These examples and the quotation in this paragraph are from Misonou Hitoshi, "Sengo Dokusen Taikei no Tokushitsu" ("Characteristics of The Postwar Monopolistic Organization") *Keizai Hyoron* (Tokyo, 1962), p. 27.

In this connection, several presidents' clubs are often cited as another evidence of the Zaibatsu revival. Some authors regard these regularly scheduled meetings of presidents of the so-called affiliated firms as equivalent to the top-level meetings of former Zaibatsu combines. But here again, in their anxiety to revive the Zaibatsu, the revivalists seem often to have ignored a clear qualitative difference between these clubs and the prewar meetings over which a head of a Zaibatsu clan presided. This difference is well summarized by *The Oriental Economist:*

The Kin'yo Kai (The Friday Club) serves as a clearing house for information, and also as a consultative organ. It makes no decisions, and it has no secretarial machinery. Consequently, it would be erroneous to believe that the Kin'yo Kai exercises the authority and power formerly wielded by the Mitsubishi Main (parent) company. This contention, asserted in various ways by Mitsubishi executives, appears to be true. But there is no denying that the Kin'yo Kai does function as an effective pivot for coordination of group-affiliated activities.[29]

How effective a pivot this type of club makes is a question yet to be examined. The "coordination of group-affiliated activities" needs to be established in economically meaningful terms if it is to be used as evidence of the Zaibatsu revival.

Comparison of Concentration Ratios

The so-called revival of the Zaibatsu connotes a highly concentrated market structure and a tendency for the larger firms to become larger and perhaps monopolistic. Many comments have been made to this effect by authors who support the opinion expressed by Professor Nagasu. However, by examining the concentration ratios[30] of the market shares from the available data since 1950, when the economic recovery of Japan began, we find no evidence that the large firms are, in terms of market share, becoming larger.

The following tables show the trend of change in the average ratios for the period between 1952 and 1958. The data in Table X for 1952–57 are for forty markets, and the data in Table XI for 1955–58 are for eighty-one markets.[31] (As shown in footnote 25, averages used here, though technically deficient, serve our purpose if indicating the general trend.)

TABLE X—INDEX OF CONCENTRATION RATIOS 1952-1957
(1952 ratio at each level was taken as 100)

	The Largest Firm	3 Largest Firms	5 Largest Firms	10 Largest Firms
1952	100	100	100	100
1953	99.3	98.5	100.8	99.4
1954	99.0	98.3	98.2	102.8
1955	97.6	98.7	98.7	102.8
1956	98.0	98.7	98.1	102.8
1957	96.0	95.4	96.0	101.8

[29] *The Oriental Economist,* XXVII (May 1959), 244. Giga, at one point, admits that "decisions of these presidents' clubs have relatively weaker restrictive power than those of the prewar Zaibatsu *Honsha,* and it is undeniable that each firm shows a tendency to act on its own" in spite of the fact that he considers the firms represented in these clubs as a unit in a *Konzern.* Giga, p. 282.

[30] See footnote 12.

[31] Misonou Hitoshi, "Sengo Dokusen Keizai no Tokushitsu" ("Certain Characteristics of the Postwar Monopolistic Structure"), *Keizai Hyoron* (May 1962), p. 24. Original computation by Mr. Misonou.

TABLE XI—INDEX OF CONCENTRATION RATIOS 1955-1958
(1955 ratio at each level was taken as 100)

	The Largest Firm	3 Largest Firms	5 Largest Firms	10 Largest Firms
1955	100	100	100	100
1956	97.1	97.6	100.6	102.7
1957	95.0	96.3	99.1	103.2
1958	97.0	95.5	96.9	101.7

The largest, three largest, and five largest show a slight downward trend of concentration, while we detect an uneven movement for the ten largest firms. In short, it is quite unwarranted to say that market power, as we have defined it, has become concentrated over the period we examined.

An interesting comparison can also be made between the 1958 figures and the prewar data for twenty-five markets.[32] (See Table XII on Page 551.)

Or, to obtain a general trend of change in these two sets of concentration ratios, Table XIII on Page 552 is useful.

It follows logically from this and the preceding tables that in 1958 the concentration ratios at each level were lower than those shown by the prewar data, although the differentials decrease markedly for the ten largest firms.

Ranking of Firms

This, however, is only a part of the picture, for the relative sizes of the ten largest firms in major markets have been in flux. Ranking in terms of the value of shipments has changed quite substantially even in the short period from 1953 to 1958. To show this, we can examine the 1958 ranking of ten markets selected at random. "N" refers to a "new firm," that is, a firm which was not one of the top-ranking ten in 1953.[34] Except for tires and tubes for the automobile market, there have been varying degrees of change in ranking in respective markets. (See Table XIV on Page 552.)

This fluidity of rankings contrasts markedly with the conditions which prevailed in the prewar days of Zaibatsu dominance. For example, Lockwood described the Japanese economy following World War I as follows:

Japanese governments looked to the Zaibatsu for aid and assistance in financing public budgets in building foreign trade and colonial enterprise, and in creating heavy industries required by the Army and the Navy. . . . All these political perquisites and connections worked to the advantage of the great financial houses, and made it the more difficult after 1900 for any upstart to challenge their supremacy. . . . Given the political setting, and

[32] For detail, see footnote 33.

[33] The industries listed here are the ones for which concentration ratios are available between 1937 and 1943. Prewar data are incomplete. The F.T.C. officials who compiled them say that they have used, as their working standard of selecting industries, a 10-firm level ratio of 50 or above, plus a percentage of total output by important industries, such as electricity, cotton cloth, and soy-sauce. 1-, 3-, 5-, and 10-firm levels were selected since the Japanese use such expressions as "Ohte sansha" or "Ohte jyusha" meaning "the main 3" and "the main 10." Although I have converted the postwar figures to more conventional 4-, 8-, and 10-firm levels, it would have been difficult to convert the above figures.

[34] The necessary information was found by comparing the ranking of firms by name in two sources cited for Table XIII.

TABLE XII—CONCENTRATION RATIOS IN 25 MARKETS
PREWAR (year indicated) AND POSTWAR (1958)

Industries	Year	Largest Firm		3 Largest Firms		5 Largest Firms		10 Largest Firms	
Coal	1937	15.1	(12.1)*	35.4	(27.0)	44.4	(35.0)	60.6	(61.8)
Crude Oil	1937	67.2	(92.8)	91.1	(96.2)	95.5			
Aluminum	1937	52.9	(49.6)	91.8	(100.0)				
Engines (railroad)	1937	28.7	(32.1)	71.6	(71.6)	95.3	(96.3)		
Passenger Cars (railroad)	1937	40.7	(34.5)	77.7	(76.2)	94.6	(94.0)		(100.0)
Freight Cars	1937	38.4	(33.9)	71.0	(67.2)	91.1	(70.2)		(100.0)
Electric Motors	1943	36.1	(32.1)	72.7	(71.6)	91.1	(96.3)		(93.4)
Bearings	1937	47.9	(27.7)	100.0	(70.1)		(89.9)		(100.0)
Sewing Machines	1939	25.0	(13.3)	52.5	(27.3)	65.0	(35.7)		(96.4)
Sodium Hydroxide	1940	22.1	(11.3)	55.1	(32.5)	72.0	(47.5)	100.0	(51.9)
Ammonium Sulfate	1937	22.5	(17.4)	60.7	(37.7)	78.0	(54.9)	86.5	(69.5)
Calcium Cyanamide	1937	40.3	(37.7)	86.0	(74.5)	94.8	(91.7)	93.5	(81.9)
Calcium Phosphate	1938	24.3	(23.5)	46.0	(43.5)	59.5	(58.2)		(100.0)
Chemical Dye	1939	28.2	(26.6)	56.3	(65.9)	61.9	(78.0)	80.6	(82.7)
Celluloid	1937	59.5	(46.5)	77.7	(67.6)	85.1	(81.5)	70.1	(88.0)
Film	1940	72.5	(81.4)	100.0	(100.0)				(92.6)
Tires (automobile)	1939	41.9	(32.1)	100.0	(77.6)		(94.3)		
Construction Glass	1937	73.5	(58.2)	100.0	(100.0)				(100.0)
Cement	1937	23.1	(17.8)	40.1	(48.6)	54.3	(63.6)	78.5	(82.1)
Pulp	1941	49.3	(13.7)	65.2	(27.3)	76.0	(38.4)	83.3	(59.8)
Paper	1937	71.7	(19.1)	83.1	(36.0)	90.0	(48.0)	99.3	(64.4)
Flour Milling	1937	34.6	(28.0)	71.7	(53.0)	77.0	(59.8)		(70.1)
Soy Sauce	1937	63.6	(39.6)	99.4	(98.1)		(100.0)		
Butter	1943	80.5	(61.0)	90.8	(84.7)	92.6	(94.4)		(97.2)
Electricity	1936	10.3	(18.7)	21.2	(44.7)	29.2	(63.2)	42.7	(100.0)

*Figures in parentheses refer to postwar year 1958

Source: Japanese Fair Trade Commission, *Nippon Kogyo no Jittai* (*The Reality of the Japanese Industries*), Appendix III (Tokyo, 1957), pp. 272-282. For 1958 data, JFTC, *Shuyo-sangyo ni okeru Seisan Shuchudo, Showa 33 nendo* (*Concentration Ratios of Major Industries in 1958*) (Tokyo, 1960), pp. 2-24.

the general shortage of capital and experience for large-scale industry, the big combines enjoyed unusual opportunities for employing familiar business devices to concentrate power.[85]

This is no longer true. If we confine ourselves to the question of market

[85] Lockwood, pp. 221–222.

TABLE XIII—COMPARISON OF AVERAGE CONCENTRATION RATIOS OF 25 MARKETS, 1958 VERSUS PREWAR.[33]

	The Largest Firm	3 Largest Firms	5 Largest Firms	10 Largest Firms
Prewar	42.79	72.68	81.59	88.23
1958	34.43	63.55	75.47	87.51

power, the supremacy of the largest firms can be challenged, and many "upstarts" have successfully done so. As one newspaper reported, "The biggest gains since the war have been made by those firms with no previous Zaibatsu ties or those which have gotten farthest away from them."[36] The unchallengeable economic hegemony of the Zaibatsu group, which Lockwood seems to be describing, has become a thing of the past as far as market power is concerned. Today a leading

TABLE XIV

Selected Industries	Ranking in 1958 in terms of 1953 Ranking									
Paper (Western type)	1	3	2	4	N	5	8	N	6	N
Chemical dye	1	2	3	4	5	8	6	7	10	9
Chassis for passenger cars	3	1	2	6	4	5				
Chemical fiber (nylon & rayon)	2	1	8	3	N	4	N	6	N	N
Cotton weaving	2	3	4	1	5	10	7	9	8	6
Ammonium sulphate	1	3	5	4	2	6	8	9	10	7
Regular hot rod steel plate	1	3	2	4	7	5	N	N	N	N
Beer	2	1	3							
Oil refining	1	4	N	8	5	3	6	N	N	9
Tires & tubes for vehicles	1	2	3	4	5	6				

firm can lose that position in the market and can even fall outside of the ten-largest category in the dynamic and rapidly developing economy of Japan.

Summary and Conclusion

Our examination of financial and market structures indicates that the term Zaibatsu as used in postwar years must be understood as different from the prewar Zaibatsu. We could perhaps go as far as to say that in prewar terms, Zaibatsu no longer exist in Japan. We must admit that the postwar diffusion of the shareholding pattern may permit the control of large firms with a much smaller percentage of the total shares. The large banks, with former Zaibatsu names, are still significant in terms of the loans they make, expressed as a percentage of total bank loans, but we must note that shareholding patterns are approaching those of Western nations,[37] and

[36] *The Asahi Evening News*, Tokyo, March 3, 1962.

[37] A recent study by S. P. Florence on the shareholding pattern of the largest English firms provides a useful comparison. The Japanese stockholding pattern, as shown in this article (cf. Table VII), is considerably less concentrated than for the English firms examined by Florence. S. P. Florence, *Ownership, Control, and Success of Large Companies, An Analysis of English Industrial Structure and Policy, 1939–1951*, (London: Sweet and Maxwell, 1961).

that the postwar shareholding pattern is *generically* different from that of prewar days. It is no longer manipulated by "the behind-the-scenes financial power" representing a few family interests. In recent years, the absolute control of large firms once enjoyed by former Zaibatsu families cannot be found.[38]

The concentration ratios we have observed could be termed high by some standards, and indicate that the market structure is far from perfectly competitive. But here again, we showed that the postwar concentration ratios are falling rather than rising. The structural rigidity of the tight prewar monopolistic Zaibatsu control also seems to have been replaced by oligopolistic competition, as seen in the changing ranks of the ten largest firms in each market. In view of the liberalization of foreign trade and the recent statements made by government,[39] the financial and market structures may become more concentrated than they are now. But, in the democratic setting of postwar Japan, the government can no longer ignore the interests of the voting public if it wishes to remain in power. The Socialist Party and consumer groups (*Shōhisha Dantai*) will not be silent if any measure favoring financial or market concentration is forced upon them.[40]

The writer is aware that, regardless of postwar Americanization, Japan will retain in her economic system some reflection of prewar traits. One such could be the relative importance of personal contacts. For example, preferential arrangements among formerly Zaibatsu-connected officers are often explicitly or implicitly suggested as the core of the postwar Zaibatsu. But if such relationships exist, in this case as well as in those cases involving the effectiveness of interlocking directorships and the presidents' clubs, they must be examined and shown to outweigh the evidence given in this article before they are used as proofs of "behind-the-scenes financial power" or of Zaibatsu revival.

Most urgently needed perhaps is a fresh examination of the Japanese economic structure in cognizance of the basic changes which have taken place in the economy since the end of World War II. The postwar Japanese economy is increasingly geared to mass production and mass distribution to a degree unknown in prewar years. This has necessitated numerous changes in interfirm relationships. Technological changes require closer coordination of activities of firms, inputs and outputs must now flow smoothly, and sales must be made under a well-known brand name.[41] All these developments require careful evaluation if they are to be compared

[38] In contrast to the U. S. practice, though bankers' ownership of industrial common stocks and the large number and influence of cartels in Japan are to be carefully analyzed, the author ventures an opinion that a markedly similar control mechanism could be observed in view of similarly widespread stock-ownership in both countries. In the case of Japan, "the center of gravity" of control is expected to lean more towards banks, but, vis-à-vis the U. S., it is a question of degree and not kind as it was before the war.

[39] This refers to the statements made by high-ranking government officials after the bill titled *Tokutei Sangyō Shinkō Hō-an (The Promotion of Specified Industries Bill)* was withdrawn in July 1963 in the face of opposition by the Fair Trade Commission and the lukewarm support of the industrial and financial leaders. These officials hinted that the course of the policy is to allow easy credit to the export-related, usually large, industries. See *Ekonomisuto,* (Tokyo, July 9, 1963) p. 14.

[40] For example, an attempt to amend the Anti-Monopoly Law in 1958 was unsuccessful because of strong opposition by users of products most affected by cartels which this amendment sought to establish, and the opposition of general consumers. Though the Conservative Party then had the majority in the House, it decided not to bring the bill to a vote.

[41] Some of these so-called affiliated groups, when examined, turn out to be relationships cemented by the participating firms' desire to assure their supply of input or sale of their output. Firm A, a steel firm,

with the prewar activities and interfirm relationships of the Zaibatsu-dominated firms. Further studies must be made to distinguish clearly Zaibatsu-like behavior and structure from developments which have come about as the result of "the Second Stage of the Industrialization of Japan"[42] since 1945.

However, before further evidence to the contrary is shown to exist, the term Zaibatsu, which has an established connotation, should not be used carelessly. The Zaibatsu as defined in *Webster's New Collegiate Dictionary*—"the few, especially four, wealthy families owning and controlling most of the Japanese industries"—have been dissolved and have not revived.

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for example, becomes an exclusive supplier of benzol to a chemical firm B, which processes it further and then supplies it to a chemical fiber firm C. C, in turn, supplies nylon or filament obtained from it to a large group of "finishers." Also, it is more likely that each of these firms has supplier and buyer relationships according to its technical or marketing needs. The above happens to be the real case of "affiliates" of the Mitsubishi Chemical, often cited as an important wing of the reviving Mitsubishi Zaibatsu. But the steel company in this case was the Fuji Steel Corporation, which was classified as one of the Fuji combines. Firm B is an "independent" which is not considered an affiliate of any Zaibatsu, and Firm C is usually classified into the Mitsubishi affiliates, although Firm C is not financially controlled by any Mitsubishi affiliates.

[42] *The Economist* (London, September 8, 1962), pp. 907–936.