Origins of the

Zaibatsu Conglomerates

Japanese zaibatsu conglomerates in the Meiji Period 1868-1912
Abstract

The Japanese zaibatsu conglomerates dominated Japan’s economy and industries from the Meiji era (1868-1912) until the mid-20th century following Japan’s surrender after World War II. These groups grew fast from feudal businesses and monopolies during the Meiji period, becoming leading economic forces and played a key role in the industrialization and modernization of Japan following the end of the feudal Edo period (1603-1868). What caused and defined the formation of the zaibatsu? To answer this central question this thesis will examine the early history of the zaibatsu, including the industries they operated in, business practices, corporate structure and political connections in the Meiji period. The two biggest zaibatsu conglomerates, Mitsui and Mitsubishi, will serve as the main examples throughout this thesis. Both groups had immense effect on Japan’s economy during the Meiji period. Decentralization and balancing authority among themselves and their subsidiary groups was a significant problem for Mitsubishi and especially Mitsui, defining their expansions and corporate structure. Both groups adapted monopolistic and exploitative tendencies influenced by 19th century Western business practices, e.g., mistreatment of workers, exhaustion of resources and misuse of political connections. Like many zaibatsu, Mitsui and Mitsubishi played the role of an agent for the Meiji government, fulfilling the political and economic ambitions and expanding through government contracts. The effect and influence of the zaibatsu conglomerates can still be observed in the Japanese business world with former zaibatsu groups like Mitsui and Mitsubishi operating past the 20th century and into the new millennium whilst developing into massive international conglomerates.
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Introduction

The *zaibatsu*, meaning financial clique or faction, refers to Japanese conglomerates and corporations in Japan throughout the Meiji period (1868-1912)\(^1\) and until the mid-20\(^{th}\) century following Japan’s surrender after World War II. These massive corporations operated on most, if not all levels of the economy within the Japanese empire until they were either disbanded or re-organized through somewhat successful reforms and legislations during the Allied occupation of Japan (1945-1952) and into the 1960s. Despite that, many of these corporations and companies persevered and still exist in some form today like for instance the huge international conglomerates: Mitsubishi, Mitsui and Sumitomo\(^2\). It is hard to imagine the Japanese business world without these and other former *zaibatsu* groups (Yamamura, 1964; Edwards, 1946; Watkins, n.d.).

The term “*zaibatsu*” has been used for Japanese prewar era conglomerates but to define them in a simple manner is complicated. Economists have attributed three common characteristics to *zaibatsu*:

(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.

(c) Extremely large financial power in the form of commercial bank credit, which is used as the center. (Yamamura, 1964, pp. 539-540)

These *zaibatsu* conglomerates had immense effect on Japanese history in the 19\(^{th}\) and early 20\(^{th}\) century. They dominated the Japanese economy in prewar Japan, “…penetrated all segments of the economy.” (Yamamura, 1964, p. 541) and “…played a vital part in the

\(^1\) Japanese periods beginning with the Meiji period (1868-1912) are identified by the name of the ruling emperor. A change of emperors marks the start of a new era in Japanese society.

\(^2\) According to *Forbes* business magazine, combined these three groups cross over 200 billion dollars in sales as of May 2019 (#108 Mitsubishi, 2019; #196 Mitsui, 2019; #291 Sumitomo, 2019).
economic rise of Japan, and they had come to occupy a position in the Japanese economy for which there was no parallel elsewhere in modern times” (Namkoong, 2006, p. 1). To gain an understanding of these massive zaibatsu conglomerates, it is important to understand their origins. The first zaibatsu groups were formed in the Meiji period, and the two largest zaibatsu groups, Mitsui and Mitsubishi, originate from the dawn of the period. For these reasons the time-frame for this thesis is the Meiji period (1868-1912).

The zaibatsu groups that had some of the most profound effect during the Meiji period were the “Big four” zaibatsu groups: Mitsui, Mitsubishi, Sumitomo and Yasuda. The influence of these companies has reverberated well past the Meiji era, and even today their effect can be felt on the Japanese business world (Hoare & Pares, 2006). Among the “Big four” zaibatsu, Mitsubishi and Mitsui stand out as the most recognizable and have been researched far more than the Sumitomo and Yasuda zaibatsu. For instance, when the phrases “Mitsui zaibatsu”, “Mitsubishi zaibatsu”, “Yasuda zaibatsu” and “Sumitomo zaibatsu” are looked up using the scholarly articles archive Google scholar, combined there are roughly twice the number of scholarly articles available on Mitsui and Mitsubishi zaibatsu than on Sumitomo and Yasuda³. Since sources and research material are more plentiful on these two groups, it can be assumed that focusing on the history of Mitsui and Mitsubishi in the Meiji era will yield a concise yet wide understanding on the larger zaibatsu groups. For those reasons, the prime zaibatsu subjects utilized in this thesis are Mitsui and Mitsubishi.

The history of the Mitsui and Mitsubishi zaibatsu groups parallels in many ways with the history of Japan in late 19th and early 20th century. They were established in the early years of the Meiji period following the restoration of the Imperial throne (1866-1868) and the end of feudal rule in Japan and were influenced by contemporary European and American business models. Modernization and Westernization⁴ were the main themes of this period with the Mitsui and Mitsubishi groups and their activities exemplifying these themes and playing a vital role in the development of modern Japan (Morck, 2005; Morikawa, 1992).

Most of the former zaibatsu corporations, including Mitsui and Mitsubishi, were established by and/or built around powerful and wealthy families or former feudal clan

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³ The phrases searched using the scholarly articles and works search engine Google Scholar were “Mitsui zaibatsu” (5,190 results), “Mitsubishi zaibatsu” (5,610 results), “Sumitomo zaibatsu” (3,700 results) and “Yasuda zaibatsu” (1,710 results) on December 17, 2019.

⁴ Westernization or Westerners refers to general European and American influence or individuals.
businesses following the end of the Edo period (1603-1868). To understand these zaibatsu groups and the effect they had on Japanese economy and society it is important to look at the origin stories of these conglomerates in connection with their feudal roots from their inception.

Professor Hidemasa Morikawa (1970) of Hosei University in Japan argues that Mitsui and Mitsubishi struggled with balance of authority or decentralization of power within their greater zaibatsu corporate structure and their respective subsidiaries. This struggle is an important subject in terms of understanding the systems that made up the larger zaibatsu groups and their rapid growth in the Meiji period.

Following the defeat of the Japanese after World War II, some 1200 companies were to be disbanded (Mahalik, 2010) since the American occupation opposed their anti-democratic effect on Japan. The leader of the occupation, the American five-star general Douglas MacArthur, said during one of his semiannual lectures to the Japanese that the zaibatsu system had

\[ \text{…permitted the major part of the commerce and industry and natural resources of your country [Japan] to be owned and controlled by a minority of feudal families and exploited for their exclusive benefits. (Kuwayama, 1982, p. 134)} \]

MacArthur’s statement summarizes well the American standpoint on the Japanese conglomerates in postwar Japan. Whether these accusations of exploitation by the zaibatsu groups hold true in the Meiji period will be a focal point in this thesis.

The zaibatsu were, like modern Western corporations, affiliated with political groups and officials throughout the Meiji period. These affiliations and the role of the zaibatsu conglomerates from the viewpoint of the Meiji government will be another major point in this thesis.

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5 The last of the Japanese feudal eras. Named after Edo city from which the Tokugawa Shogunate led their government from. Later renamed Tokyo and made the official capital of Japan in 1868.

6 Refers to control and autonomy of the subsidiary groups over their own department and whether the subsidiary or the headquarters had more authority within their respective subsidiary branch.

7 Initial plans were 1200 firms but only 325 firms were targeted, with only 28 being disbanded including Mitsubishi. However, the remaining zaibatsu groups were restructured and were no longer exclusively family-run ventures (Mahalik, 2010).
The research of this thesis is mainly supported by books, academic articles and journals on Japanese history and economy covering many different ages but with emphasis on works that focus on the zaibatsu or the Japanese economy and society of the 19th and early 20th century. Credible online sources like official websites of the former zaibatsu groups, Japanese government websites and websites authored by acknowledged academics are also used to support this thesis.

What was the origin of the zaibatsu corporations? What caused their formation in the beginning of the Meiji era (1868-1912)? In what way if any did the zaibatsu groups show signs of struggle with decentralization with their subsidiary groups? Does the claim that the zaibatsu were exploitative hold true during the Meiji era? How could you describe the relationship between the Meiji government and the zaibatsu? These research questions will be addressed in this thesis.
1. Dawn of the Meiji era (1868-1912) and Call for Modernization

The Meiji era (1868-1912) was a turning point in Japanese history. It marked the end of feudal rule of the Tokugawa Shogunate, their daimyo landlords\(^8\) and the samurai\(^9\) warrior caste. The changes were swift, decisive and effected all parts of Japanese society including different industries and the whole economy. The Tokugawa Shogunate had ruled Japan with their daimyo and samurai cohorts since 1603, when the Tokugawa clan and their allies unified Japan after centuries of warfare. The emperor played a cultural role but held little political power during this period and continued to do so under Tokugawa rule.

To solidify their control over Japan, the Tokugawa rulers decided to close Japan off from European and Western influences by prohibiting Japanese people to travel freely abroad and by limiting trade with foreign nations allowing only the Dutch to trade in the port of Dejima in Nagasaki, Japan. This decision by the Tokugawa Shogunate helped solidifying control but also played into their downfall in the 19th century. This newfound balance lasted throughout the Edo period (1603-1868)\(^10\), the last of the feudal Japanese eras (Cullen, 2003).

Modern industries were for all case and purposes non-existent and the economy was ruled by the Shogun, daimyos or the merchant class with little industrialization. Roughly 60 percent of the Japanese people worked in agrarian fields such as fisheries, agriculture, forestry etc. (Ohno, 2006, p. 67), with nearly no hope of changing occupations or moving up the rigid social hierarchy. In this stifled economic climate, contemporary American or European styled businesses\(^11\) could not exist within Japan during the Edo period under the rule of the feudal Shogunate.

One of the decisive events that led to the end of the feudal Edo period and Tokugawa Shogunate rule in Japan happened in July of 1853. This was when Commodore Matthew C. Perry of the US navy and his entourage arrived in Tokyo bay on a mission to open trade relations with Japan and end Japan’s seclusion policy (Fillmore, 1852). The sight of the black steam warships frightened and confused the people of Tokyo and all of Japan. “People in the fishing village of Shimoda were the first to spot four huge hulks, two streaming smoke, on

\(^8\) War- and/or landlord with samurai retainers under the Shogunate.

\(^9\) Japanese Feudal era military government were the Shogun was head of state with the emperor being a ceremonial role.

\(^10\) The Edo period was named after the capital of governance during the period, which is now known as Tokyo.

\(^11\) Dutch trading companies were allowed by the Shogunate to trade in the Japanese trading port of Dejima, Nagasaki Japan during the Edo period. However, they were not allowed to trade outside of the port or travel within Japan freely (Kazui & Videen, 1982).
the ocean’s surface approaching the shore. ‘Giant dragons puffing smoke, ‘cried some’
(Blumberg, 2003, p. 13). This was a major event in the downfall of the Tokugawa Shogunate, underlining how far behind the Japan was in comparison with the Western powers like the United States that were now engrossing on Japanese sovereignty.

At first the Tokugawa Shogunate refused the demands of the Americans, but they soon realized that resisting with force was futile and were coerced into signing the Kanagawa treaty on March 31, 1854, only a year after the arrival of Commodore Matthew Perry. This treaty humiliated the Shogunate and exposed its weakened state. Even before the coming of the black ships, there were anti-Tokugawa sentiments growing throughout the Japanese isles. The daimyo lords had been dissatisfied with the current status quo and “…the yoke of a system which involved them in heavy expense” (Honjo, 1934, p. 24). The humiliation of the Kanagawa treaty and the following compromises with other European and Western nations only made the Tokugawa and Japan look weak and prime for colonization and exploitation by the Western powers that had been doing so throughout Asia for the past decades like in the Opium Wars in China between 1839-1860 which were still fresh in the mind of the Japanese (Wakabayashi, 1992).

Anti-Tokugawa sentiments and growing calls for change and modernization increased throughout the years following the signing of the Kanagawa treaty and caused further destabilization in Japanese society. The final collapse of the Shogunate started when a coalition against the Tokugawa Shogunate and its government was formed between the Satsuma and Choshu daimyos and their clans from southwest of Japan. This coalition would between 1866 and 1868 perform attacks and assassination attempts on members of the government and Shogunate strongholds in hopes of toppling the Tokugawa regime (Cunningham & Zwier, 2009). These actions against the Shogunate were in part sponsored by the Mitsui merchant family, which developed into a powerful zaibatsu in the following years.

After years of these prementioned destabilizing factors, attacks and rebellions causing havoc and chaos throughout all of Japan, the Tokugawa Shogunate was dissolved in early November 1867, when the 15th Shogun Tokugawa Yoshinobu resigned from his position but

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12 The first Opium war (1839) was between Britain and China and in the second war (1856) between a coalition of France and Britain vs. China. The cause of the wars was China’s attempt to suppress the trade of opium which the British sold to the Chinese. The second war was over various commercial privileges and legalization of the opium trade (Nordegren, 2002).

13 Covered in the Origin of Mitsui chapter.
carried on governing Japan (Cunningham & Zwier, 2009). Despite his resignation, the ex-Shogun’s army continued to fight the Satsuma & Choshu coalition until January 1868 when Yoshinobu and his forces were defeated at the battle of Toba-Fushimi (Keene, 2002). After the devastating defeat of the ex-Shogun’s army, the young emperor Mutsuhito Meiji stripped the former Shogun of his remaining political power and in so finalizing the so-called Meiji restoration (1866-1869) of the imperial throne. It can be said that the Edo period and feudal Japan ended with this edict sent to foreign envoys in Japan by emperor Meiji on February 3rd, 1868:

The Emperor of Japan announces to the sovereigns of all foreign countries and to their subjects that permission has been granted to the Shogun Tokugawa Yoshinobu to return the governing power in accordance with his own request. We shall henceforward exercise supreme authority in all the internal and external affairs of the country. Consequently, the title of Emperor must be substituted for that of Taikun14, in which the treaties have been made. Officers are being appointed by us to the conduct of foreign affairs. It is desirable that the representatives of the treaty powers recognize this announcement. (Satow, 2006, p. 353)

This declaration and the subsequent reforms made by the new Meiji government did not only mean the end of feudal rule in Japan, but it also signified a new dawn for the land of the rising sun15. A new government and constitution were formed in the shape of Western contemporary systems with the young emperor Meiji and the former revolutionaries leading its formation. Japan was brought into the modern age and Japan would be transformed, e.g. new policies, land expansions, capitalism, military and finally industrial and economical changes (Sussman, 2000; Morck, 2005).

14 A title the Shogun held. The emperor was usurping the position of the former Shogun in treaties made with both domestic and foreign powers and taking over the political role of the Shogun within Japan. The English word tycoon is derived from this word.

15 Japan has been historically referred to as “the land of the rising sun” for roughly 1400 years.
For the sake of catching up with contemporary business and Western industrialization, Japan had to adapt fast, rapidly expanding their industries and economy. These changes brought on the formation of Japanese capitalism that was followed with the creation the *zaibatsu*; conglomerates and companies who like the new Meiji government an interpretation of their Western counterparts and 19th century capitalism.
2. Origins of the Zaibatsu

As mentioned in the previous chapter, the zaibatsu conglomerates got their start in the Meiji era (1868-1912). It was imperative for Japan to modernize fast, following the fall of the Tokugawa Shogunate and the Japanese feudal system, so Japan would not follow the same fate as other colonized or exploited Asian countries. Therefore, the zaibatsu like the Meiji government, formed fast and decisively, utilizing these new opportunities during the entire Meiji era. In the case of Mitsubishi and Mitsui, both gained their successes from opportunities and acquisitions made during the beginning of the Meiji era and played a vital role in the rapid industrialization and modernization of Japan. These enterprises started from smaller operations owned by mostly the former feudal era higher castes and ended up influencing and affecting the formation and the evolution of the new Japanese empire.

2.1. Origin of Mitsubishi

Out of the previously mentioned “Big four” zaibatsu conglomerates, the best-known is probably Mitsubishi. It is hard to imagine that a big international corporation like Mitsubishi with a large share in the automobile industry internationally had such a humble start all the way back in the latter half of the 19th century.

The founder of the first Mitsubishi company was Yataro Iwasaki (1835-1885), a son of a provincial farmer and employee of the Yamauchi clan in the Tosa province of Japan. Despite this connection to the Yamauchi clan, Yataro’s family were not of the samurai caste since his great grandfather had sold off their status to cover accumulated debt, an occurrence that was all too common among lesser samurai clans during latter half of the Edo period (1603-1868). Although Yataro himself was not of a prestigious family, thanks to his relationship with the Yamauchi clan and their nationwide business connections, he was exposed to the business world of Japan during the dawn of the Meiji era (“The Man Who Started It All,” n.d.).

Yataro’s early adult life was hectic but quite successful. He started studying in Edo city but was called back a year later because of a dispute his father had with the village chief. Yatoro accused the magistrate of corruption which landed him in prison for 7 months. After his release, Yataro Iwasaki studied under and became a benefactor of Toyo Yoshida, a

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16 The Yamauchi clan ruled over the Tosa province on the southern half of the Shikoku island of Japan from the 1600s to the end of the Edo period. They played a role in the founding of the Meiji government and the downfall of the Tokugawa Shogunate (Murdoch, 1926).
revolutionary who helped him gain position and rank among Yamauchi clan’s clerks. In 1862, things took a turn for the worse for Yataro when Toyo was assassinated by a conservative Yamauchi clan member for his progressive and revolutionary views (Yamamura, 1967).

Having lost his sponsor and benefactor, Yataro was appointed to avenge Toyo Yoshida. However, because of disinterest or perhaps his fondness for entertainment and tea houses, he failed his mission and was forced to return to the Yamauchi clan’s chilly reception. This left Yataro feeling “Disenchanted with the fruitlessness of the *samurai* code and the lowliness of his position, he abandoned his *samurai* status altogether to become a lumber merchant in spite of much derision on the part of his former colleagues” (Yamamura, 1967, p. 144).

Unfortunately, this venture proved itself a total failure, leaving Yataro unemployed and without status. Therefore, after 4 years of unemployment, Yataro returned to the Yamauchi clan as a bottom ranked official in their Industry Promotion Agency or *Keiseikan*, an agency started because of a recommendation of Yataro’s former benefactor Toyo Yoshida. The main objective of the *Keiseikan* agency was to “…promote sales and production of the *han*-controlled\textsuperscript{17} products to alleviate the financial deterioration which threatened all *han* in the last years of the Tokugawa period” (Yamamura, 1967, p. 144). Again, Yataro found himself dissatisfied with the lowliness of his position and resigned after only a year. Despite his resignation, Yataro’s former boss and head of the *Keisekan*, Yamasaki offered him a position in the Yamauchi clan’s Nagasaki offices which was mainly focused on acquiring arms with little regard to fiscal sustainability of the Yamauchi clan.

Through reckless expenditures and mismanagement, the Nagasaki office accumulated a debt of 200 thousand *ryo*\textsuperscript{18}, throwing the entire clan into a major crisis. Because of these dire circumstances, Yamasaki pushed for the promotion of Yataro to the head of the Nagasaki office. This was an opportunity almost impossible considering his origin and lack of status, but because of desperation, his experience and the declining importance of the *samurai* caste and status in the last years of the Tokugawa, he received the promotion in 1867. Professor Kozo Yamamura (1967) described Yataro Iwasaki, during this time as indispensable to the entire Yamauchi clan, refinancing their expenditures by negotiating a loan from an American

\textsuperscript{17} Term used for a Japanese estate or domain controlled by a warrior or *daimyo* from the 12\textsuperscript{th} century until the Meiji period.

\textsuperscript{18} A gold currency unit in pre-Meiji Japan.
merchant, and by becoming a trouble-shooter for the Yamauchi’s many unforeseen circumstances and problems during these hectic times of political and regime changes.

Since Yataro had essentially single handedly saved the Yamauchi clan, he became the obvious candidate for succeeding Yamauchi clans’ export business when the *Haihan-Chiken*\(^\text{19}\) came into effect in 1871, forcing them to withdraw from their monopolies and investments\(^\text{20}\). This was a pivotal moment in Yataro’s life and the foundation of what would eventually become the world renown Mitsubishi group and conglomerate. Until 1873, Yataro made key investments and management decisions and finally formally established the Mitsubishi *Shokai*\(^\text{21}\), a firm specializing in the rapidly growing shipping industry. Yataro proofed himself an aggressive yet cunning businessman by undercutting the competition and infiltrating the shipping market nationwide and overtaking the competition. His main competitor Steamship Mail co., a company run like a *samurai* clan more than a contemporary corporation was, despite initial favoritism with the Meiji government\(^\text{22}\), no match for Yataro’s fierce rate cutting tactics and modern business practices and management (Yamamura, 1967; “The Man Who Started It All,” n.d.; “Iwasaki, Yataro,” n.d.).

Mitsubishi continued to struggle with their competitor Steamship Mail until a sudden tragedy would result in pulling Mitsubishi past the competition. That tragedy was the Formosa incident of 1874, where 54 Japanese fishermen were killed by Chinese nationals in Formosa which resulted in the Japanese commencing an invasion into Formosa, China. Following this event, USA and Britain declared neutrality regarding this conflict at the request of the Chinese Qing dynasty and called for the withdrawal of their transport fleets from Japan, which Japan was planning on leasing for the invasion. This resulted in the Japanese government panicking and acquiring for a hefty fee 13 shipping vessels and essentially giving them to Mitsubishi, furthering Yataro’s business to new lofts. By 1877 Mitsubishi controlled 80 percent of all marine traffic within Japan and monopolized the Japanese shipping industry (Cybriwsky, 2011; Kobayashi, 1986). This enormous corporation would only grow under Yataro Iwasaki’s guidance and leadership, despite allegations of improper political relationships, scandals, accusations of unethical business practices,

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\(^\text{19}\) Abolition of the *Han*-system and establishment of the *Ken*-system, which was the new prefectural system that is still used today.

\(^\text{20}\) He took over the Osaka office and the Yamauchi clan’s shipping rights in exchange for assuming a part of the clan’s debts (“The Man Who Started It All,” n.d.).

\(^\text{21}\) Means company in English.

\(^\text{22}\) Covered in *Yataro Iwasaki and Mitsubishi’s Government Connections* chapter
monopolistic tendencies, and finally an economic assault by the comparable Mitsui zaibatsu (Yamamura, 1967; Rudlin, 2013).

Sadly, Yataro’s work with Mitsubishi came to a sharp end on February 7th, 1885, when he succumbed to stomach cancer at the age of 52, only 20 years after starting his career at the Yamauchi clan. This quote summarizes quite well his accomplishments in life and postmortem fame:

He remains a symbol not only of Meiji period entrepreneurship but also of the highly controversial iron-triangle relationship between business, bureaucracy, and government, according to some scholars, one unique contributing factor to Japan’s successful growth in the postwar period. (Picken, 2017, p. 202)

The main theme portrayed in the life of Yataro Iwasaki is the older feudal clan or family-run businesses and investments being taken over by a talented businessman with modern ideas and tactics and transforming it into a business empire. Yataro’s career covers the starting years of the zaibatsu conglomerates and shows that their existence and the success of men such as Yataro can be attributed to the societal situation and simple luck. Despite having difficulties during his days with the Yamauchi clan, loss of his master and love for tea houses, he was able to use the position and skills he acquired while working for the Yamauchi clan and with his sponsor Yoshida to break into the new business world of Meiji Japan. He then established Mitsubishi, a zaibatsu group which dominated the Japanese shipping industry is still a major company being placed nr. #108 on Forbes Global 2000 list23 of 2019.

2.2. Origin of Mitsui

The history of the Mitsui group can be traced all the way back to 1616 when Sokubein, a samurai gave up his status to marry a merchant´s daughter. He then opened a small brewery for making sake spirit and soy sauce. Sokubein died in 1633 and his son Mitsui Takatoshi continued to expand the family’s enterprises, opening textile shops, and later moneylending services. Mitsui´s great successes in business and trade lead to them

23 Annual ranking of top 2000 publicly traded companies world-wide.
being designated as chartered merchants\textsuperscript{24} for the Tokugawa \textit{Shogunate} in 1691. This appointment lead to many more lucrative opportunities and strengthened their ties and leverage with the feudal government in pre-Meiji Japan and even more during the dawn of the new Imperial Japan of Meiji era Japan. However, these new opportunities of the new era did not come without problems (Betz, 2018; Hipsher & Hansanti & Pomsuwan, 2007).

Between the years 1864-1866, during the final years of the Tokugawa period, Mitsui was served a raw business deal by the crumbling \textit{Shogunate}. They were to provide the government with a substantial contribution to maintain itself and were ordered to give the \textit{Shogunate} 50 percent more than Mitsui’s entire operating assets. This could have spelled the end of the Mitsui family’s operations, but thanks to the help of a talented negotiator, Minokawa Rihachi, they were able to reduce the demands and come to an arrangement. Despite this, the Mitsui family only upfilled one out the three negotiated payments. When the demise of the \textit{Shogunate} was imminent, they threw their hat in with the still forming Meiji government (Watkins, n.d.). Professor Morikawa (1992) described that the main aid provided by the Mitsui family to the new Meiji government was in military funds towards overthrowing the Tokugawa regime. This aid and subsequently the withdrawal of funds from Mitsui to the \textit{Shogunate} proved instrumental in the toppling of the declining Tokugawa.

In 1871 Mitsui was commissioned by the new government under emperor Meiji to provide financial services, create a new currency for Japan and later to begin the establishment of a central bank in collaboration with two other companies: Ono and Shamada. This gave Mitsui and the other two companies a big opportunity for growth because they now held all government deposits interest free and could invest it at their discretion. This did not last long, since in 1873 the Meiji government attempted to withdraw their deposits from Mitsui, Ono and Shamada. The two latter had already lent out too much capital to pay the government within the allotted time, leading them to bankruptcy. Ono and Shamada’s bankruptcy left Mitsui as the sole provider of financial services for the Meiji government, giving Mitsui a major advantage when they finalized the formation of Mitsui Bank in 1876. It was the first private bank of Japan and so a critical financial institution that still exists today as the Sumitomo Mitsui Banking co.\textsuperscript{25} (Morikawa, 1992).

\textsuperscript{24} Also known as \textit{Goyou-shounin}. Specialized merchants in service of the \textit{Shogunate}.

\textsuperscript{25} Mitsui Bank was renamed and merged with multiple banks and financial institutions throughout the 20\textsuperscript{th} century, finally merging with the former Sumitomo bank in 2009 (“History,”, n.d.).
In the same year, Mitsui established Mitsui Bussan\textsuperscript{26}, a community and product procurer and seller that traded domestically and branched out between 1877 and 1879 to London, Paris, Shanghai and other nations enlarging Japanese economic influence abroad. In 1879 after a fierce bidding war with the Mitsubishi group\textsuperscript{27}, Mitsui Bussan acquired the formerly government owned Miike Coal mine\textsuperscript{28}, which was their first step to becoming the largest coal seller and later producer in Japan. Mitsui Bussan would only continue to grow and expand into new industries throughout the Meiji period, becoming the largest trading firm in Japan in 1909 with over 1200 personnel and annual sales of 224 million yen (Hirschmeier & Yui, 2010; Kiyama, 2013; Yonekura, 1985).

The theme of the beginning of Mitsui zaibatsu is one of a powerful feudal family finding itself in a trying yet profitable situation. It is less character driven then the story of Yataro Iwasaki’s Mitsubishi, but that may be because Mitsui was already established as merchant group in the Edo period and just grew from there in the Meiji period. The history of Mitsui intertwines with that of the Meiji Restoration (1866-1869) by taking direct part in the restoration of emperor Meiji’s throne as they financed the rebelling daimyos against the Tokugawa Shogunate.

Then following the fall of the Shogunate and the change in government, Mitsui supported the new Meiji government by supplying financial services and from there gained a foothold as the only independent bank of Japan in the dawn of the modern age. From there they expanded into new venture such as mining and established subsidiaries such as Mitsui Bussan that would become the largest general trading firm in Japan by the end of the Meiji period (1868-1912). Mitsui continued to grow throughout the 20\textsuperscript{th} and into the 21\textsuperscript{st} century, still being a huge international conglomerate recognized as #196 out of international publicly traded companies on Forbes Global 2000 as of 2019.

\textsuperscript{26} The Japanese word “Bussan” translates as” Product”. The Mitsui Bussan specialized in community trade.

\textsuperscript{27} “Mitsui bought the mines for about 4.5 million yen, after outbidding Mitsubishi by only 2,300 yen” (Yonekura, 1985, p. 67).

\textsuperscript{28} Mitsui’s mining operations were reorganized into Mitsui Kozan in 1892.
3. Zaibatsu’s Decentralization Struggle

As was described in the Introduction, the zaibatsu were large conglomerates or business entities composed of a wide variety of enterprises under the ownership and management of a single family or clan. According to Hidemasa Morikawa (1970), a professor of business at Hosei University Japan, the basic strategy for the economic success of the zaibatsu was through maximizing expansion for their constituents through various processes and strategies that differed between different conglomerates and groups.

These expansions would come at the expense of decentralization and a struggle with their subsidiary firms that moved instinctually towards autonomy, jeopardizing the corporate structure of zaibatsu groups such as Mitsubishi and Mitsui. The subsidiaries naturally pushed for decentralization and autonomy over their respective branches, which the central headquarters responded to by pushing for centralization. This struggle was described by Professor Morikawa (1970), as major theme in the evolution of zaibatsu corporate structure, particularly in the case of Mitsui and Mitsubishi, which despite facing similar challenges faced them in a different manner.

3.1. Mitsui’s Decentralization Struggle

Following the Meiji Restoration (1866-1869) and the initial formation of the Mitsui zaibatsu, Mitsui focused mostly on three business fields: Banking, trading and mining. These three fields were operated by Mitsui Bank29 and the subsidiaries were Mitsui Bussan30 and Mitsui Kozan31. As these subsidiary groups grew in activities and influence, they became more autonomous, acting at their own discretion without much connection to the main headquarters and the greater whole of the Mitsui zaibatsu (Morikawa, 1970).

The autonomy the subsidiary groups grew gradually during the early years of the Mitsui zaibatsu which reversed in 1891, when then newly appointed executive director of Mitsui Bank Hikojirou Nakamigawa started his aggressive push for recentralizing the subsidiary groups. This active push for concentration of authority by the main headquarters continued for the remainder of the Meiji period (1868-1912), concluding in July 1893 when the three main subsidiary groups were reorganized into independent general partnerships. In

29 Mitsui Bank established July 1, 1876.
30 Mitsui Trading co. established July 1, 1876.
31 Mitsui Mining co. established April 23, 1892.
1908 each partnership was incorporated into a limited liability company and stripped of most of their autonomy and thereby

…had no discretion over investment decisions or affairs concerning organization, contribution, and the handling of intangible assets. They were required to submit such matters for the approval of the head office. (Morikawa, 1970, p.70)

3.2. Mitsubishi’s Decentralization Struggle

Mitsubishi’s struggle with authority and decentralization took on a different form their Mitsui’s counterparts. Instead of primarily focusing on banking, their focus was more diversified with varied investments in coal and metal mining, shipbuilding, shipping, banking etc. Professor Morikawa (1970) found that unlike Mitsui, Mitsubishi gave their subsidiaries autonomy as separate corporate entities, establishing these investments as internalized departments under centralized management with no actual autonomy.

Following the death of Yataro Iwasaki in 1885, directorship was succeeded by his son Yanosuke Iwasaki who, because of the declining economic position of Mitsubishi, pushed for reorganization of Mitsubishi and reestablished the corporation as Mitsubishi-sha on March 29th, 1886. With the reorganization, a new company code and bylaws were introduced that gave the president of Mitsubishi Yanosuke unlimited authority over all activities and decision-making within the conglomerate. The investments and departments were reconstructed with emphasis on the formerly secondary activities instead of the shipping business. These activities were: The Takashima Coal Mine, the Yoshioka Metal Mine, the Nagasaki Shipyard, the 119th National Bank and the Senkawa Water Supply and Services co. (Morikawa, 1970).

After the reorganizing of the Mitsubishi zaibatsu more emphasis was put on the newly acquired Nagasaki Shipyard which became the core of the wider conglomerate. To avoid decentralization of all these departments which were at that time spread all over Japan, more power was transferred to the main offices. This led to the abolishment of the formerly separated Mitsubishi Mining offices in 1894 which had managed all mining operations and

32 Means company or corporation in Japanese.
went under the direct control of the main offices, except for their Metal Mining Department which remained under its section manager. This balance of authority did not last long because of how rapidly their mining and other operations expanded, requiring Mitsubishi to separate them again in 1896, only two years after their attempt to centralize them (Morikawa, 1970).

This decentralization of authority continued throughout the remainder of the Meiji period with Mitsubishi establishing more and more departments and sections especially between 1908-1912 when the mining department was divided into three departments. Despite these new departments not being separate entities and partnerships, like Mitsui organized their subsidiaries, Professor Morikawa (1970) found that Mitsubishi’s subsidiaries had more autonomy and control over their management and investments than Mitsui’s subsidiaries ever did.

The core difference between the corporate structures of Mitsui and Mitsubishi in terms of centralization and authority seems to be that Mitsui separated themselves into separate enterprises and companies to operate in different sectors while Mitsubishi divided them into different departments and kept them under more centralized management decentralizing them gradually to keep up with their rapid expansions.
4. Monopolies and Exploitations of the Zaibatsu

The Japanese zaibatsu groups operated various monopolies and were accused of having exploitative tendencies by the Allied occupation following World War II. As was explained in the Origins of the Zaibatsu chapter, both conglomerates possessed monopolistic aspects from their inception. For instance, Mitsubishi dominated the maritime shipping within Japan, and Mitsui was the sole provider of financial services to the Meiji government and operated the only private bank for some time. These positions as sole providers of services were highly beneficial for the zaibatsu and often led to further expansions and profits.

The zaibatsu structure was influenced greatly by Western business models and had “…substantial monopoly power in many, not just a few, industries” (Morck, 2005, p. 375). A good example of a 19th century Western monopoly is the American Standard Oil Company that controlled 90 percent of the American oil refining industry (Priest, 2012, p. 547). It can be argued that this foreign influence and the experience the Japanese had with American gunpoint diplomacy described in Dawn of the Meiji era chapter, pushed Japan and Japanese companies towards emulating the business models that defined industrial America and Europe of the 19th century. Another possible reason for this development is that the natural evolution of early capitalist industries without a regulatory body is towards monopolies, exploitation and mistreatment.

4.1. Exploitation of Workers

Treatment of workers by the zaibatsu conglomerate during the Meiji period (1868-1912) was not favorable. Between 1894 to 1909, 85 percent of workers in the Japanese textile industry and 60 percent of the entire industrial labor force were women. This made them a vital part of any producing group within Japan including zaibatsu operations. These women had to endure 12 or even 14 hour working days in often damp, loud or excessively hot factories (Nafziger, 2015; Liao, 2013).

- Physical brutality, unhealthful conditions, monetary punishments for minor infractions, petty and vindictive supervisors, and piece-work wage systems conspired

34 The Japanese government actively encouraged unmarried Japanese women to work seasonally in textile, cotton and other industries. They worked separately from men and often lived in employee dormitories (Tsurumi, 1990).
to make Meiji-period cotton factories a living hell. Many employers promised educational opportunities for workers, but most gave little more than morality lectures. (Molony, 1991, p. 470)

These dreadful working conditions were accompanied with rigid working schedules which left little to no time for anything besides labor and toil. Here is an example of one such schedule from a silk plant in Nagano, Japan, year 1900:


Keeping wages low was a priority within many of the Japanese industries, with the Japanese silk industry being a prime example. These low wages were maintained through various ways including: Few rest periods, nonpayment or delayed payments and a complicated system of wage-grade classification and by keeping worker accommodation close to the factory floor so that “…almost every waking hour could be a working hour” (Tsurumi, 1990, p. 48). Even though the working conditions described above are not considered acceptable or humane according to modern standards, they were not uncommon in the early industrial world.

Similar examples of harsh working environments existed in America, Britain and all throughout the industrialized world of the 19th century. For instance, 10-14 hour long work shifts in hot and physically exhausting working conditions (Gordon, 1997), and even child labor was commonplace in British factories into the 20th century (Kirby, 2013). However, it can be assumed that the exploitation of workers and lack of regulations did in some way contribute to the success of the zaibatsu and their growth, like it did for other contemporary industrial giants abroad.
4.2. Exploitation of Natural Resources & Examples of Monopolies

One of the main accusations made by the American General Douglas MacArthur35 regarding the exploitations of the zaibatsu was that the “…natural resources… [were] …owned and controlled by a minority of feudal families and exploited for their exclusive benefits” (Kuwayama, 1982, p. 134). It is true that ownership of natural resources such as mining operations were privatized and bought by various groups and entrepreneurs, with those investments becoming “…the nuclei of their zaibatsu” (Morck & Nakamura, 2018, p. 4). For instance, the previously mentioned Miike mine which Mitsui acquired in 1889 and the many coal- and metal mines bought by Mitsubishi in the same year. Following this mass-privatization, the “Big four” zaibatsu conglomerates: Mitsui, Mitsubishi, Yasuda and Sumitomo alone controlled “… more than 30 percent of Japan’s mining…[and]… metal industries…” (Beamer, 2012, p. 301) with the most of the rest being controlled by many smaller zaibatsu groups and affiliates (Morck & Nakamura, 2018).

The zaibatsu groups would contribute towards making Japan the world’s second largest producer of coal, the third largest of copper and among the biggest producers of iron and gold at the beginning of the 19th century (Morck & Nakamura, 2018). However, because of lack of restraint and the ever-increasing demand of the government for industrialization and the profit driven zaibatsu groups, Japan’s formerly abundant mines and “…resource wealth was largely exhausted as it industrialized, so Japan is correctly classified as a resource-poor economy today” (Morck & Nakamura, 2018, p. 41).

The zaibatsu’s monopolistic business practices helped in transforming the zaibatsu into huge conglomerates leaving the smaller enterprises bankrupt or taken over by the bigger groups. In the Origins of the Zaibatsu chapter, there are two good examples of this concept, one where Mitsubishi took over or adjoined with cut-throat tactics and modern business tactics, eventually controlling 80 percent of all maritime traffic within Japan. The other example is how Mitsui was left as the only provider of financial services to the Meiji government following a withdrawal of funds that bankrupted the competition. Allegedly, the political operator of Mitsui, Minomura received an early tip about this withdrawal and therefore Mitsui had more time to gather funds to meet the demands of the Meiji government (Hirschmeier & Yui, 2010).

35 Covered in the Introduction.
Judging by the business dealings and tactics described above, it is apparent that zaibatsu conglomerates like Mitsui and Mitsubishi had strong exploitative elements to them. When it came to exploitation of workers, resources and use of political affiliation for pecuniary and expansionary opportunities and gains, Japanese industrial and economic powers, including the zaibatsu, took full advantage and owe a lot of their success in the Meiji era to these exploitations.
5. Mitsubishi and Mitsui’s Government Connections

Like modern Western conglomerates, the Japanese zaibatsu influenced Japanese politics and some groups were affiliated or connected to political groups or individual politicians, often in ways that would be considered corrupt by today’s standards. As was explained in the Origins of the Zaibatsu chapter, both Mitsubishi and Mitsui had deep ties to the former feudal government and were involved with and supported the rise of the new Meiji government. The support provided by the Mitsui merchant family and the Yamauchi clan36 secured them with various opportunities in the form of government contracts, privileges and services.

5.1. Yataro Iwasaki and Mitsubishi’s Government Connections

Acquiring the support of politicians and government officials was decisive in the cut-throat world of the early Meiji era (1868-1912) zaibatsu. The importance of these connections became apparent in 1874, following the Formosa Incident37, when the Japanese government planned an attack on Formosa. The Qing dynasty of China appealed to the USA and Britain to help avert the invasion, resulting in both the USA and Britain declaring neutrality and ordering their firms to withdraw their transport ships that the Japanese government had leased for the attack. The sudden withdrawal of ships caused the Japanese government to panic and hastily buy 13 ships from Western companies at a high price. They then gave Yataro Iwasaki and the Mitsubishi Shokai a lucrative government contract that gave them the new ships and opened various opportunities working for the government, including ferrying troops for the Formosa invasion (Yamamura, 1967; Rudlin, 2013).

Before acquiring this lucrative contract, Yataro had been cultivating a friendship and relationship with Shigenobu Okuma, the Minister of Finance, who was for political reasons inclined to give this deal to Yataro and Mitsubishi. These reasons were that Okuma was replacing the former Financial Minister Inoue Kaoru who was a supporter of Mitsubishi´s main competitor, Steamship Mail. Because of political antagonism between Okuma´s and Inoue´s faction, Okuma was forced to support a firm other than Steamship Mail which left Mitsubishi as the only plausible option. Yataro used these political circumstances and his friendship with Okuma to his full advantage by negotiating more favorable terms. These

36 Yamauchi clan enterprises became the foundation for the Mitsubishi zaibatsu under Yataro Iwasaki.
37 Covered in the Origin of Mitsubishi chapter.
negotiations were allegedly held at famous inns or geisha\textsuperscript{38} houses, sponsored by Yataro Iwasaki with both the Prime Minister and the Financial Minister Okuma attending. This deal solidified the Mitsubishi Shokai as a monopoly in maritime shipping within Japan and pushed Steamship Mail to the verge of bankruptcy (Yamamura, 1967; Rudlin, 2013).

The dealings between Yataro Iwasaki and Minister Okuma, make it apparent that there were some questionable business dealings taking place between the larger zaibatsu groups and the Meiji government. These dealings sometimes involved pressure through personal relationships and political affiliations that would certainly be considered improper by today’s standards and played a role in the rapid progression of Mitsubishi as well as the Mitsui zaibatsu.

5.2. Mitsui’s Government Connections

The Mitsui group gained influence with the Meiji government for their assistance and support during the Meiji Restoration (1866-1869) movement against the old Tokugawa feudal rule\textsuperscript{39}. This collimated in Mitsui developing a close relationship with the above-mentioned Kaoru Inouye and his political faction who awarded Mitsui with substantial privileges and opportunities. For instance, in 1876 State properties acquired from the Shogun and the clan governments, including Miike Coal mine were sold to Mitsui at low prices. These acquisitions were the beginning of their zaibatsu. They were also entrusted with facilitating “governmental purchases and sales of materials in foreign countries …” (Namkoong, 2006, p. 4). In other words, Mitsui’s successes and early expansions in the Meiji era were largely due to their strong political ties and Japan’s manufacturing and industrialization needs. Mitsui’s ties with the Japanese government only deepened throughout the Meiji era, collimating in them supporting the Seiyukai party, one of the two chief political parties at the time.

Through these government connections, both Mitsui and Mitsubishi continued to exert their influence with the Japanese government throughout the Meiji era and beyond, gaining various business opportunities, fiscal protections, subsidiaries, etc. (Allen, 2003;

\textsuperscript{38} Japanese female entertainers that entertained patrons through traditional dancing, singing and sometimes sexual services.

\textsuperscript{39} Covered in the Origin of Mitsui chapter.
Fukui, 1970). This political influence of the zaibatsu in the Meiji era has been summarized as:

…businessmen who had close financial and political links with factions in government and bureaucracy - with the history of the zaibatsu, there is no doubt that they run parallel: the success of the political merchants and the formation of Japanese capitalism were inextricably linked. The zaibatsu, being intimately associated with the politicians become very important influences on policy. Thus, whereas in early Meiji days they could be regarded as agents of the government, though probably never as merely passive agents… (Namkoong, 2006, p. 11)
Conclusion

This thesis aimed to examine the various factors that defined the *zaibatsu* in the Meiji era (1868-1912). Understanding their formation at the start of the period, their struggles with the decentralization of their corporate structure, exploitative and monopolistic nature, and their relationship with the Meiji government are the main subjects covered by this thesis.

The Japanese economy in feudal Japan before the Meiji restoration (1866-1869) was comparable with its European and American counterparts pre-industrial and agrarian. Therefore, when the Americans pressured the feudal *Shogunate* to open Japan’s borders in 1853, the Japanese were forced to submit to their terms. This would play into the fall of the feudal *Shogunate* and the formation of a Western inspired government under emperor Meiji and Japanese capitalism that paved the way for the rise of the *zaibatsu* groups. It was imperative that Japan would industrialize and modernize quickly so they would not get colonized or exploited by the Western powers.

Following the start of the Meiji period, older feudal businesses and monopolies of the former *daimyo* landlords and the *Shogunate* were sold or distributed to various merchant groups or individuals who would form the first *zaibatsu*. For instance, Mitsubishi originated from the former Yamauchi clan’s marine shipping monopoly under Yataro Iwasaki, and Mitsui originated from the Mitsui merchant family who received various contracts from the new Meiji government. Mitsui and Mitsubishi would from there expand rapidly, becoming huge *zaibatsu* conglomerates. This is how the *zaibatsu* groups came to be in the Meiji era, through acquisition and privatization of former *Shogunate* and *daimyo* monopolies.

During the Meiji era, Mitsui and Mitsubishi expanded rapidly into different industries, furthering their reach and profits but in turn introducing a struggle with decentralization of their corporate structure and subsidiaries. However, the way these two conglomerates operated their firms and investments caused their struggles to take different forms. In Mitsui´s case, initially their corporate structure was a central office operated from Mitsui Bank with their main subsidiaries; Mitsui *Bussan* and Mitsui *Kozan*, which acted independently in their respective industries. This structure did not last because as the subsidiary groups grew, they became more autonomous and started making decisions without regard for the goals of the main office. The main office retaliated by reorganizing these groups into independent general partnerships in 1893 and then again in 1908, when they were changed into limited liability partnerships and thereby stripped of most of their autonomy.
Mitsui’s struggle with decentralization and balance between the autonomy of the subsidiaries and the authority of the larger conglomerate lasted throughout the Meiji era.

Mitsubishi handled their subsidiaries differently. Instead of making different companies and groups to handle their investments, they created new departments within their centralized management that was led by the main office at the Mitsubishi headquarters. The departments grew and divided depending on Mitsubishi’s needs throughout the 1890s and 1910s, while enjoying more autonomy and freedom in decision making than their Mitsui counterparts following Mitsui’s above-mentioned restructuring in 1893. Therefore, even though Mitsubishi did struggle with decentralization within their departments, they did not need to be drastically restructured like the Mitsui subsidiary groups.

The zaibatsu groups adapted monopolistic and exploitative practices during the Meiji era. Their treatment of workers in Japanese factories was deplorable by modern standards. They endured 10-14 hour work shifts, low wages and generally horrific working environments. Despite similar working conditions being common in the early industrialized world, it can be assumed that exploitation of workers did play into the zaibatsu success in the Meiji era like it did abroad throughout the 19th century.

Mitsui and Mitsubishi based their success in the Meiji period on the operation of exploitative and profitable monopolies. Good examples of monopolies led by large zaibatsu were the Mitsui Bank which operated as the only private bank in Japan from 1876 and being the only provider of financial services to the Meiji government. Another example of a zaibatsu monopoly is Mitsubishi’s maritime shipping venture which monopolized the Japanese maritime shipping industry despite initial competition that Mitsubishi dominated with modern business tactics and practices leading to them controlling 80 percent of all maritime traffic and dominating the maritime shipping industry within Japan. However, large monopolies were not uncommon in the Western industrial world of the 19th century like the American Standard Oil company which dominated the American oil refinery sector, making the zaibatsu monopolies not unique but rather influenced by contemporary Western business practices, or perhaps a natural outcome of companies in the early un-regulated capitalism of the 19th century.

The third example of exploitation by the zaibatsu was their role in the exhaustion of natural minerals that started in the Meiji period. Zaibatsu groups such as Mitsubishi and Mitsui relied heavily on access to coal and minerals which the Meiji government provided to them cheaply through a campaign of mass privatization in the 1880s and the 1890s. The
zaibatsu groups now owned and operated most of the nation’s mineral mines, playing a role in making Japan into one of the world’s largest producer of coal and other minerals by the start of the 20th century. This aggressive production would lead to over-exhaustion in the following periods, changing this formerly resource-rich nation into the currently resource-poor Japan.

Based on these three examples described above, it is apparent that zaibatsu conglomerates like Mitsui and Mitsubishi had strong exploitative elements. For instance, they took full advantage of their monopolies, access to natural resources, mistreatment of workers and the use of political affiliations for pecuniary and expansionary opportunities and gains in the Meiji period, contributing greatly to their development into huge conglomerates.

The larger zaibatsu conglomerates such as Mitsui and Mitsubishi had deep connections with the Meiji government, securing their foothold in Meiji Japan. For instance, thanks to a lucrative government shipping contracts, Mitsubishi was able to surpass their competition which was left in bankruptcy. Mitsubishi gained these contracts mostly through connections with Financial Minister Okuma and allegedly by holding lavish meetings for Okuma and the Prime Minister at geisha houses. On the other hand, Mitsui gained favor with the Meiji government by financially supporting their resistance against the declining Tokugawa Shogunate. Because of their support, the Meiji government enlisted Mitsui to create a new currency, provide international financial services for the government and allowed them to hold and invest government capital. Originally, Mitsui was among other merchant groups that held funds and provided financial services for the Meiji government. However, thanks to an alleged early tip by a government official, only Mitsui remained following an unexpected large withdrawal, driving the other providers to bankruptcy.

Judging from Mitsubishi and Mitsui’s relationship with the Meiji government, the role of the zaibatsu to the Meiji government was that of an agent. In other words, the zaibatsu fulfilled the Meiji government’s political and economic ambitions and in turn received various government contracts, fiscal protections and subsidiary firms for their troubles. These rewards played into the rapid expansions and economic success of the zaibatsu groups in the 19th century. However, these relationships between the zaibatsu groups and Japanese politicians and officials would probably today be considered misuse of political connections with back-room dealings like the ones described above.
To summarize, the zaibatsu conglomerates originated from former Shogunate or daimyo monopolies and businesses that were privatized throughout the Meiji period (1868-1912). They grew fast and expanded through; Westernization, industrialization, profitable monopolies, use and sometimes misuse of political connections, exploitations of workers, over-exhaustion of mineral resources and through servicing the Meiji government. Their growth was so rapid that zaibatsu groups like Mitsubishi and Mitsui gradually lost control over their expanding subsidiary firms. This led to struggles with decentralization of their whole conglomerates and multiple restructurings of their corporations. All these factors and developments defined the zaibatsu, their corporate structures and expansions throughout the Meiji period, in which they dominated the Japanese economy.

The zaibatsu’s effect and influence would continue throughout the Taisho (1912-1926), early Showa (1926-1986) and the World War II era (1939-1945) with the zaibatsu expanding along with the imperial ambitions of the Japanese empire. Even though Mitsui, Mitsubishi and the zaibatsu groups were disbanded or re-organized following the end of World War II, parts of these companies still remain, and some have since grown larger than they ever were as zaibatsu groups. Mitsui, Mitsubishi and Sumitomo are examples of this development. How will these and other former zaibatsu groups continue to effect not just Japan, but also the global economy throughout the 21st century?
Bibliography


