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| Author(s) | TOMINOMORI, KENJI |
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BIG BUSINESS GROUPS AND FINANCIAL CAPITAL IN POSTWAR JAPAN

KENJI TOMINOMORI
Professor
Faculty of Economics
&
Business Administration
Hokkaido University

§ 1. FEATURES OF GROUPS

As well known, big firms in Japan form the so-called "groups", which have the following fundamental features exemplified by the six major groups (Mitsubishi, Sumitomo, Mitsui, Fuji, Daiichi-Kangin, and Sanwa):

(1) Cohesion among member firms of a group is achieved first by their mutual holdings of stocks to such an extent of about 20% in general that individual firms of the same group cannot be controlled by any other group. It is secondly achieved by facilities of a bank belonging to the same group in providing member firms exclusively with loans as well as playing a leading role also in stock holdings. It is thirdly made possible by a trading of the same group in affording every facility exclusively for member firms to obtain raw materials and sell their products.

(2) It is fourthly provided by human relations achieved through arrangements of periodical meetings and concurrent assumptions of posts in other member firms by senior officials of firms of the same group.

(3) Different from the foregoing relations which are looked on as horizontal ones, vertical relations related a firm to smaller subsidiary firms under its influence. Accordingly, the subsidiaries should not be neglected in the total picture of group affiliation.

While discussing the groups, the following should also be stressed: Namely, we cannot deal with them always as strongly unified bodies despite that they are defined as groups through more or less coherence in behavior, because their structure is really open and individual member firms have their own freedom of action to some extent. And exactly in this point lies a difference between the Zaibatsu in the prewar days and the groups in the postwar days.

§ 2. HISTORICAL DEVELOPMENT OF GROUP FORMATION

Before we argue essential qualities of the groups, it may be necessary to give a brief survey of historical developments of this formation.

First, it should be recognized that a decisive role in group formation has been played by the so-called "postwar reform".

As well known, a series of economic reforms, the most important of which is dissolution of the Zaibatsu, were accomplished through strong interference of the G. H. Q. They have also given a revolutionary effect on the structure of the Zaibatsu in the days just after the end of World War Two. Through this reform, a firm pyramid organization, on the top of which "Ie" (a Japanese-style family community) lies, was thoroughly broken up, because of dissolution of holding companies affiliated with Zaibatsu organizations and obliged offer of stocks held thereby resulting in the elimination of family control. It may not be meaningless, of course, that banks were not obliged to offer their holding stocks. Also it should not be neglected that the volte-face of the policy to eliminate the concentrated power of each big firm became inevitable along with a change in world tide inception of the so-called cold war — except strictly enforced participations of two major trading firms. Nevertheless, a closed connection led by "Ie" and the central holding company as well as human relations headed by family members served really as main cement for the firm pyramid organization of the Zaibatsu. So, there should be no exaggeration to say that elimination of them meant decisive dissolution of Zaibatsu organizations. Besides, it should be born in mind that these disposals made it impossible for big firms to join together. Therefore, resistance against these disposals were strengthened in accordance with recovery of an economic confusion in days immediately following the end of the war and also with restoration of self-confidence of entrepreneurs — accompanied with the US foreign policy's change mentioned above. Trials to ammend antitrust law should be thought to be a climax of these backward process. In fact, antitrust law, a fairly radical one at least at its outset, was amended in 1949 and 1953 in a way to be substantially important, while the G. H. Q. policy changed with increasing intensity of the cold war. This amendment made it possible for banks to hold stocks of another firm in the amount less than 10%, instead of 5%, and also for manufacturing and trading firms to hold stocks of another company in case in which it was regarded as not limiting competitive conditions. And restriction on coalition and cartel was also weakened by the amendment. It should be borne in mind, of course, that regaining of "Ie's" controlling power and re-centralization of stocks to them were still impossible despite the amendment. But exactly for that reason, in other words, for the reason of adoption of the amendment after dissolution of the Zaibatsu, it became possible for firms to get together in a new arrangement.

In fact, following the mitigation of the stock holding restriction, the

formation of groups with characteristics mentioned above started, as we can recognize its completion in 1955.

The development after the "economic reform" is already well known in Japan. It is often neglected, however, that there was a sprout of the form of postwar groups even previously, especially in the wartime. So we have to add a little of this sprouting process in the wartime and prewar days, giving a summary as follows.

First, mutual holdings of stocks between firms in the same Zaibatsu group appeared according to the development of the military-demanded heavy industry, for *Ie* and central holding companies were obliged to sell their holding stocks in order to correspond to rapid expansion of capitals without scattering them outside the organization.

Secondly, as the result of the foregoing development *Ie* and the central holding company diminished their controlling functions and powers, which were made up for through arrangements like a sort of meeting by directors representing firms of the same group.

It is sometimes thought that these sprouting process of structural characteristics of the postwar-style "groups" had begun in the beginning of 1930's when the Zaibatsu had taken a pose to change themselves. But the thought may not be correct, because such a pose was a fundamentally political one at that time as an answer to an uplift of a social criticism against the major capital power, which should be discriminated from the structural change of them continuing to the era. In fact, the latter change owed much to economic reasons related to stepped-up militarization. But what is important is how to estimate the prewar process of structural change of the Zaibatsu, comparing with that of the postwar days.

The present writer does not wish to discuss it in a way to discriminate the thoughts between continuation-view and discontinuation-view as Prof. Shibagaki of Tokyo University, because the reality is not so simple as we can make such a flat discrimination, and because it cannot be anything else but a mixture of both sides as in the case of other historical developments.

It, however, may be permitted to draw the whole process as follows: War structure resulting from an economic crisis inevitably destroyed the old structure of Japanese capitalism first and fostered the sprout of a new economic structure in the womb of the old structure. But the mother body was maintained as a framework until the end of World War Two; so the new structure remained still in pregnancy. And the final defeat of Japan, which also resulting in the ultimate breakdown of economy, cut open the stage where the new structure was born at last by the aid of midwife work of the G. H. Q. To have a thorough understanding of these dynamic and complicated processes of the structural change may be very important. In

other words, it may be quite necessary for us to understand that any political power as strong as that of the G. H. Q. cannot upset a historical premise to bring about a fundamentally new structure in society ; meanwhile an inside process cannot go its own way for itself, in some cases, without an aid of an outside power.

§ 3. ECONOMIC ESSENCE OF BIG BUSINESS GROUPS AND HIGH
ECONOMIC GROWTH OF JAPAN

(1) Groups and Modernization as a Financial Capital.

So far, we discussed the postwar groups along with outward features and formation, treating also the prewar Zaibatsu as much as necessary for the purpose of a comparative study. But we have not yet deepened understanding of their substances. So, here we want to give a further analytical discussion on them.

First, concerning the prewar Zaibatsu, following essential points would be added: That is, though Zaibatsu could not be anything else but an existing form as a monopolistic capital in the prewar days, we cannot deal with it as a monopolistic capital or a financial capital in this meaning.

For instance, "Ie" (Zaibatsu family) did not admit an individual right to dispose of his individually owned stocks for its members ; in this sense, it constituted a structure of a premodernistic community.

On the other hand, of course, the Zaibatsu had the structure of a joint stock company, which was aimed not at seeking the conventional function of such a company, but at pursuing a counterplan against taxation and other burdens. For instance, published stocks, which were highly concentrated at Ie or the central holding company, were not used to gather unemployed funds in society. Such exclusionism in terms of stock holding is also clearly seen in the process of capital accumulation with a strong preference for self-financing, as is found in activities of banks belonging to the Zaibatsu.

In fact, these banks did not have a nationwide chain of branches through which they could gather unemployed funds and help capital accumulation of linked firms ; on the contrary, they preferred to pool funds inside the Zaibatsu and lend it to outside firms to argument their power. For this reason, it may be clear that without any mediation as "Ie" it was impossible for a Zaibatsu to form the so-called financial capital by connecting its bank and affiliated industrial firms and that it was also impossible for it to take monopolistic action as a truly modernized monopolistic capital, for instance, by raising productivity through a tie-up with firms of another lineage.

But it may not be permitted to regard such a Zaibatsu as a precapitalistic capital or to apprehend its monopolistic activity as that of a precapitalistic merchant capital. It is because, despite its formal characteristic common to

a precapitalistic capital in several points, the Zaibatsu was a capital which was necessarily born out of necessity according to rapid development of capitalism in backward Japan, and whose form action was urged by confrontation of imperialism in the era of monopolistic capitalism in world history. Therefore, it should be looked on anyway as representing a pattern of monopolistic capital in modern capitalism. Still it should not be neglected that the Zaibatsu could not become, to the end, to bear heavy industrialization owing to its closed constitution, in spite of its complicated features mentioned above.

“Groups” in the postwar days deserve attention as to their epoch-making aspects in wiping out those closed and premodernistic features of the Zaibatsu representing old Japanese monopolistic capitals and in accomplishing modernization as financial capitals.

Closed holdings of stocks disappeared then, because the groups were formed through obliged dispersion of stocks by the enforcement of dissolution of the Zaibatsu immediately after the end of the war. So, utilizing of unemployed funds has naturally become a routine way to accumulate a capital. Besides, these changes also have altered a bank's activities in a group. Namely, banks belonging to big groups have become competitive with each other in expanding the nationwide chain system and in imposing the norm on every bank clerk to gather unemployed funds as much as possible. Thus, they have strengthened the power and become to lend the abundant funds to heavy industries: of course, the so-called state monopolistic policy in financing, which was really pursued by the Bank of Japan, and the historical background in its formation should not be neglected in looking into financing of industries in totality. But even such a policy should be thought impossible, if financial capital modernization was lacking at the base of economy. Exactly for this reason, ultimate modernization of financial capitals in the postwar Japan must be looked on as the primary entity of “groups”. And it should be recognized too that the high growth rate of economy in the postwar days owed much to financial capital modernization, through which monopolistic activities in a modern sense have also become possible.

(2) “Groups” and Dehumanization of Capital.

Modernization of financial capital constitutes really primary entity in formation of “groups”, but it does not represent the whole. Groups also deserve attention as to what they have accomplished in bringing about a unique capitalism, which should be called juridical persons' capitalism; through it capitals have been ultimately dehumanized.

In fact, as for big firms, relations between ownership and control have undergone a great change; namely, they are no longer owned by individual persons, but by juridical persons signifying substantially fictitious dehumaniza-

tion. Accordingly, it calls for an urgent search for the meaning of such a change leading to juridical persons' capitalism.

Of course, such a change has been argued already by a number of authors, two among whom are pointed out: Prof. Miyazaki mainly discussed a change from individual persons to firms in ownership and control, while Mr. Okumura made a unique analysis of the structure of juridical persons' capitalism.

Few as literature may not be concerning discussions of specific phenomena related thereto, deeper analyses are lacking. The present writer has paid more attention, in this connection, to the phenomena and clarified that this form of capitalism represents a specific culmination of capital dehumanization in Japan, which has become an additional effect on the high growth rate of the postwar economy.

Still it should be noted that capital dehumanization, which estranges even capitalists, is in a sense general in the whole stage and the whole area of capitalism as Marx classically elucidated; so, it is not correct to apprehend it as unique only in modern capitalism in a strict sense of the word. But what is important is that we can see an especially explicit development of it in present day capitalism—above all in present Japanese capitalism—which has brought about several new problems which lacked in classical imperialism or in classical capitalism.

Limitation of space in this paper does not allow a detailed description of a history of ultimate development in capital dehumanization, but a rough outline of it can be given as follows: First, previous development of consummation in capital dehumanization can be recognized in 1920's in the U. S., where the so-called big business resulting from a big trust movement from the beginning of this century on, had already been giving birth to modernized industries—such as automobile, electrical machinery, and oil industries. And in other capitalist nations, the process was, more or less, in motion after the end of World War Two, sometimes by the aid of nationalization as in France and otherwise through the development of juridical persons' capitalism as in Japan, where the newly developed industrial power in the wartime has been absorbed in it in the postwar days.

Anyway, in Japan ultimate development of capital dehumanization came to be a climax when formation of new groups was accomplished by means of mutual holdings of stocks between juridical persons after enforcement of Zaibatsu dissolution. Of course, the mutual holdings of stocks were not intended for the sake of capital dehumanization from the outset. It was rather thought to be an inevitable outcome of the lack of the mass security market precisely at the time when disposal of stocks was in a state of urgent necessity after the Zaibatsu dissolution.

But what is important may be its consequence; namely, it has become impossible for any individual person to control a firm by himself through holding the majority of stocks, and objectification of capitals as material has come to be complete at least concerning the big business. In such conditions, capital movement could not be disturbed by any specific human more purified.

Moreover, the private (although not individual)* and exclusive substance of capital cannot be changed. Likewise, the firm is motivated to seek profits, its being owned by private beings and controlled by private juridical persons, is still essential even here.

Besides, it should not be neglected that a private ownership system at an individual level supports socially such a relation as is mentioned above, and that a manager in a big business firm is still, more or less, in a position to be given a discriminated interest by the firm.

Despite these aspects, it is undeniable that the big business in Japan nowadays is not burdened generally by any individual of any family and in this sense capital dehumanization can be said to be most advanced in this country presently in the world.

(3) High Growth Rate and Juridical Persons' Capitalism.

Juridical persons' capitalism in Japan formed by big business groups brought about such a consummation of capital dehumanization as has never been seen in an economic history of the world, through which the profit principle has been more simplified and the highest growth rate ever seen has become as its outcome.

But in addition to what was mentioned concerning the juridical persons' capitalism and high growth rate, the following points should be noticed:

Namely, juridical persons' capitalism necessarily needs a specific management system for the following reasons: And exactly in Japan, we can see most suitable historical and social conditions for such a management organization, which has also accelerated the high growth of economy.

Let's see first what kind of management organization juridical persons' capitalism needs.

First, remember that there is no definite individual person, who holds large part of stocks and has a controlling power in the center of a big firm under juridical persons' capitalism.

In such a firm, which does not have any definite individual person as a central holding controller, it may be clear that there would be a necessity for other alternative means to secure a private entity, which is inevitable

* Western readers may find it a little difficult to understand the reason why the present writer distinguishes between the words private and individual. As the former he refers to an exclusive group of persons discriminated from others, and as the latter to one individual person.

for any economic existence in capitalism. And since such an alternative means to secure the private entity, it becomes necessary for such a firm to concentrate its employees within a closed private collective group and to form an exclusive community within a firm.

Nevertheless, such concentration of employees in a closed private community within a firm could not be possible merely by a slogan. So, it becomes necessary to build a system which enables to do it.

The life-time employment system and the age-order wage system, especially the former, are decisive means to make such a closed private community within a firm. And a system which prefers a group to an individual person in evaluation of abilities and merits tends to tie each individual to a group, making it difficult for him or her to be released from the group and thus helping form a closed community in a firm.

Besides, even a private life of each employee is usually mixed in the community life of a firm in Japan, which makes the community itself more stable.

It is, of course, inevitable for a firm to develop as much as it can, because it becomes easy for it to give vigorous energy to the community by increasing incentive, to the employees. (High growth rate of Japan itself has enabled it until about 1970.)

But, anyway, it is now clear that juridical persons' capitalism needs a management system which enables a closed community to grow within a firm and that Japan has a most favorable historical tradition and cultural conditions for the purpose.

On the contrary, as well known, the individualistic and liberalistic cultural tradition is much stronger in as western world than in Japan, so it would be easily inferred that juridical persons' capitalism would be more difficult to be formed there.

Furthermore, two points should be added concerning the relation between juridical persons' capitalism and high growth rate in Japan.

First, the way to be a top of management has been opened more equally, because a definite personal center of control was lost after the formation of juridical persons' capitalism. And through this change, competition to be promoted among members of a firm has become much severer, which obviously doubled the energy of the firm.

It, of course, should not be neglected that the way to become the top of management is still actually conditioned by a career or an encumbrance. But comparing with the time when there was a definite Zaibatsu families' control, a relative change in the relation should be said an epoch-making one. And we can also see that an even crazily intensified competition in entrance examinations to famous schools in Japan owes much to the economic structure.

Secondly, it must be noticed that discrimination between self-owned capital and other capitals is greatly obscured here, because of capital dehumanization and capital objectification by formation of juridical persons' capitalism, which also facilitates intensified capital accumulation. In other words, in a firm under juridical persons' capitalism, significance of self-capital or significance to be conscious of self-capital is much weakened because of a loss of definite personal center to support the "self", for which there lacks and obstacle to be dependent on bank loans in case of capital accumulation.

In fact, it is a well-known fact that Japanese big enterprises have reduced ultimately the percentage of an equity capital to a gross capital depending largely on bank loans during the high-growth time, through which they have been successful in rapid capital accumulation. Usually the above fact is thought to be a result of capital modernization as a financial capital. It may be clear now, however, that here is also an effect of ultimate capital dehumanization and that in this sense it is beyond financial capitalization.

§ 4. CONCLUSION

This paper has discussed the entity of "groups" in the postwar Japan as the core of its monopolistic capitalism today, summarized their primary features and historical developments, and analysed their economic substance.

Evidently, however, recent changes in domestic and international economies have worked against the high-growth era they enjoyed. Such circumstances may justify a little comment on their future directions. So, this paper has dared to foresee some of the directions, though limited somewhat by the lack of analyses due to difficulties in the prediction of economic and other trends at home and abroad.

First, provided that the low-growth economy continues, enlargement of firms tends to lessen and stabilization of them to strengthen, though in diversified ways, like tying-ups between firms of the same group, despite that such a trend is against the relatively loose nature of postwar groups.

The dynamism or mobile nature of the groups has not only been based on capital dehumanization, as touched on at the outset of this paper, but also dependent on the high-growth economy which gave member firms of the groups a promising prospect. A release of the mobile nature, which may result from the lowering of the economic growth rate, is likely to bring about the reversal of the process, as it is said.

Secondly, the low-growth stage in economy leads to an anticipation that member firms of a group and smaller subsidiary firms under their influence, which are coherently bonded together as a closed society, see a gradual decrease in vigorous energy, though the community itself will never collapse as long as the economic regime in support of the community sur-

vives. Exactly for this reason, however, individual member firms will try to reinforce their ruling power over subsidiaries.

In fact, as Mr. Okumura points out, a move has become strong for a firm to assign its personnel to the subsidiaries whereby to strengthen community's solidarity, the trend especially being noticeable in big firms belonging to big groups.

Evidently, such a move can, however, be possible only at the sacrifice of subsidiaries, giving rise to a dream of continuation of the high-growth days. Such a dream, however possible it may be cannot be converted into reality, unless it enlarges conflicts with other developed countries like the U. S. and E. C. ; otherwise, it will increase a government budget burden.

Anyway, the process expected will, more or less, cause political instability. Nevertheless, the present writer doubts that Japanese juridical persons' capitalism will undergo a radical change in the near future because of it. For it seems evident that, though the formation of a new economic and political regime which will carry out the change is indispensable, such a regime that includes laborers' participation has not yet been formed.

In this connection, it deserves attention that, even the labor movement in the postwar Japan has also been formed within the framework of juridical persons' capitalism and fostered in itself a trait which is characterized to be so bureaucratic and so exclusive. This trait of the labor movement clearly corresponds with that of the closed community of big firms. So, it must be inevitable for laborers to overcome the trait in their determination to be the carrier of the new regime.

Besides, a kind of cultural revolution, the present writer dares to say, will be inevitable in Japan for a new economic regime to replace the existing one, since exclusive collectivism has taken root deeply in every side of this country influenced by the cultural tradition.