

Japanese Private Sector Banks, 1931–1945: A Business Perspective

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This essay reconsiders the part played by the largest private sector banks in the Japanese economy during the years between the Manchurian Incident (1931) and the end of the Pacific War (1945). In contrast to much of the previous writing on prewar and wartime finance, which places the emphasis on the importance of the state and public policy in directing the actions of the financial industry, this research note gives primacy to the actions the banks themselves took to obtain funds and to use those funds productively and profitably. Drawing on the accounts presented by the six biggest banks in the corporate histories they have published from time to time, I argue that private sector bankers concentrated on trying to build and maintain safe and sound business, and wanted an environment in which business could prosper. While they complied with changes in political conditions and regulations and even at times aggressively pursued new business related to military expansion and war, and while some bankers expressed strongly patriotic sentiments, a number of senior executives also voiced concerns that the economic controls introduced by the government after the outbreak of war in China in 1937 were against the interests of a healthy financial industry, and they lamented the progressive erosion of the discretionary credit decision-making powers of bank managers. By adapting to circumstance and acting opportunistically to make the best of a bad situation, private sector bankers abetted the war-making of the Japanese state.

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The role played by private sector banks in the prewar and wartime economy of Japan was long underestimated. Analysts of financial aspects of the economic emergence of modern Japan concentrated on the role of the state, particularly on the policies and guidance of the ministries of finance, agriculture and commerce (to 1925), and commerce and industry (after 1925), the Bank of Japan and the quasi-governmental special banks such as the Industrial Bank of Japan and the Yokohama Specie Bank, and—from the late 1930s—bodies established specifically for the purpose of economic control in time of war.¹ Recent scholarship has widened the scope of inquiry by focusing new attention on business leaders and business organizations.² Relations between government and private sector banks (and government leaders and private sector bankers) have been scrutinized anew, particularly in the period after the outbreak of war between Japan and China on 7 July 1937, as the New Financial Order (*kin'yū shintaisei* 金融新体制, or simply the New Order, *shintaisei* 新体制) took shape.³ Writers such as Okazaki Tetsuji have investigated the activities of the private banks as well as the government in the evolution of the system of wartime financial control.⁴

This new scholarship has deepened our understanding of the dynamics of prewar finance and its regulation. This research, however, has not yet produced a reappraisal of the commonly held view that the banks were merely objects of national policy and government manipulation, although it has, by showing light on the actions of a larger group of players than had previously been examined, outside as well as inside government, suggested that the possibility for such a reappraisal exists. To what extent were the private sector bankers passive receptacles and to what extent were they active agents, pursuing business as usual, adapting to changing conditions, and acting opportunistically in the interest of survival and profitability? A reexamination of the banks' funding and lending activity might contain answers, or at least hints at answers. For the most part, our studies up to now have not gone deeply into the contributions private sector banks made to Japan's evolving modern—and in the period under consideration in the present essay, increasingly war-production-oriented—economy. With the notable exception of Ogura Shinji's work on Mitsui corporate lending activity,⁵ students of financial history have not immersed themselves in the stories of the operations of individual private sector banks. In some measure this may be because the records of those banks are proprietary, not open for inspection by outsiders, and scholars choose to put their effort into research in areas where materials are more accessible. Yet a great deal of information about the private sector banks is available, much of it in corporate histories published by the banks themselves, and some of it in industry periodicals. In general, the bank histories and the contemporary journalistic reports about banks' activities present a picture of competitive organizations driven by desire to survive, to serve society and the state, and to manage funds in a safe and sound fashion while achieving at least modest profitability.

The premise of this research note is that by delving into material on individual banks and their managers, we will be able to get an even better grasp of how the prewar and wartime economy worked, and when and how the relations of private sector bankers and public sector officials changed. Here I offer a preliminary examination of the six largest private sector banks in the years 1931–1945, based largely on these banks' own accounts. Incorporated as

futsū ginkō 普通銀行, “ordinary banks,” under Japanese law, Dai-Ichi Ginkō 第一銀行, Mitsubishi Ginkō 三菱銀行, Mitsui Ginkō 三井銀行, Sanwa Ginkō 三和銀行, Sumitomo Ginkō 住友銀行, and Yasuda Ginkō 安田銀行 managed the equivalent of between about 35 percent and about 47 percent of the national assets of Japan during these years.⁶ By de-emphasizing the point of view of the central bank authorities and government ministries, I aim to write a variety of bottom-up history, although the “bottom” here is a group of elite financial institutions and not, for example, farmers, workers, and shopkeepers.

To convey the banks’ perspective, I have organized much of this essay along the lines of accounting for sources and uses of funds. This follows the scheme employed in most of the corporate histories, and reflects the view of going concerns. After treating sources and uses of funds, I also discuss consolidation within the banking industry, a major long-term trend that picked up momentum in the war years, and profitability, regarding which the banks’ historians write with varying degrees of candor. It should be noted at the outset of this essay that I am dealing with financial entities that continued in business at the time of composition of their corporate histories. The emphasis in those histories is, naturally enough, on their business. Regulatory matters and relations with the government and its officials are considered important, as they condition the banks’ actions and contextualize the story, but ordinarily they are not central.

The corporate histories on which I rely heavily here create and preserve institutional memories. Most of these have been in print for many years, yet they have been largely overlooked by academic historians. To be sure, they were published as *hibaihin* 非売品, not for sale, and were intended for selective distribution by the banks to certain libraries and individuals. They are not readily available. Moreover they do not disclose the banks’ conditions and records of operation with total transparency, and are not written in the manner of scholarly research reports. But precisely because they express the corporate perspective of their authors, and because they contain a considerable amount of valuable information about a vital segment of the economy, they should not be ignored. Adding further interest to these bank histories is the fact that they provide examples and images that become the basis for identity. The books—I regard them as autobiographies of legal persons (corporations, as Sir William Blackstone explained, are artificial persons⁷)—cover the whole of the banks’ corporate lives in some depth. They are carefully and systematically laid out, touching on the important areas of the bank’s business. This is not to say that they are uniformly comprehensive, or that they disclose all that we might wish to know and can be reasonably sure that the authors could reveal if they wanted to. Some people consequently speak disdainfully of corporate histories as tainted—to be taken, if at all, with a grain of salt—and probably best simply ignored. Others have argued that many of these corporate histories merit respectful attention.⁸ My own view is that we can profit from reading these Japanese bank histories critically. Historical writing should be judged solid when it is founded on reliable evidence and when it is reasonable, even if its interpretations may be arguable. It is not good or bad because of who funds the research and writing.⁹

From the Manchurian Incident to the Lugou Bridge Incident

The banks began the 1930s with a heavy burden of nonperforming loans on their books, and with fresh memories of depositors making runs on weak institutions, in several cases leading to bank failures. In this part of my essay, I will take up their strategies for recovery and healthy expansion between 1931 and 1937. Those years were significant for events that were not directly related to finance, but that had great indirect impact on the banking business as on many other aspects of life in Japan. On 18 September of the former year, junior Japanese army officers in Manchuria blew up a section of the South Manchurian Railway, fraudulently claimed that Chinese troops were responsible, and then launched a series of attacks that resulted in Japanese forces occupying China's three northeastern provinces Liaoning, Jilin, and Heilongjiang. This was the Manchurian Incident, and set the stage for the creation of the puppet state of Manchukuo in 1932. On 7 July 1937, fighting broke out between Japanese units stationed near the Lugou Bridge (Lugouqiao 盧溝橋, also known widely as the Marco Polo Bridge) and Chinese units in nearby Wanping after a Japanese soldier was reported missing. The soldier was found unharmed, but the conflict could not be contained, and this incident marked the beginning of the second Sino-Japanese war, which would continue until 15 August 1945.

The Manchurian Incident began three days before England's abandonment of the gold standard. Both events loom large as conditioning factors in the big banks' accounts of their actions in the early 1930s. Japan had lifted its own embargo on gold sales on 11 January 1930, restoring the gold standard that it had abandoned in September 1917, following the action of the great powers that were engulfed in World War I. The timing of the Hamaguchi government's return to the gold standard was of course extremely unfortunate, occurring as it did shortly after the New York stock market crash that signaled the beginning of the Great Depression. Gold sales to foreigners far exceeded the levels that policymakers had anticipated, severely depleting the nation's gold reserves, and the first move by Takahashi Korekiyo 高橋是清 as finance minister of the Inukai government that took office in December 1931 was to reimpose the ban on gold sales. The effects of the second abandonment of the gold standard and other measures taken under Takahashi would not be noticed immediately. In the short run, deflation persisted. In addition to harboring acute concerns raised by the gold crisis, trouble in Manchuria, and a stagnant economy, Japan's bankers were haunted by the experience of the financial panic of 1927, as the banks' histories make very clear.

The political and social climate at the beginning of the 1930s was extremely unfavorable to large financial institutions, especially those associated with *zaibatsu* 財閥. On 9 February 1932, former Minister of Finance Inoue Junnosuke 井上準之助—the principal architect of the 1930 return to the gold standard and a key figure in financial circles who mediated between officialdom and private interests—was assassinated. On 5 March 1932, Dan Takuma 團琢磨, Chairman of the Board of Directors of Mitsui Company, was assassinated in broad daylight at the entrance to Mitsui Bank. On 15 May 1932, Prime Minister Inukai Tsuyoshi 犬養毅 and others were struck down. Mitsui Bank historians choose the *katakana* word

terorizumu テロリズム (terrorism) to characterize these attacks, and note that the targets of the terrorists were the political parties and the *zaibatsu*.¹⁰ Bankers in the 1930s had to manage business in such a way as to overcome the serious problems of the 1920s, but they could not be oblivious of the need to attend to their public image, showing concern about the good of society and the state and downplaying stereotypes of capitalists single-mindedly devoted to private gain.¹¹

SOURCES OF FUNDS

The primary sources of funds with which the Big Six banks carried on their operations were capital and deposits. Capital levels of these banks changed little during the years from the Manchurian Incident to the end of the war.¹² Deposits grew by a lot. We will focus on the movements of deposits. The bank historians treat deposit solicitation efforts in the context of competition, making frequent comparisons among the members of a peer group. All agree on the composition of that peer group: it is the Big Six.

Between the Manchurian Incident in September 1931 and the 26 February 1936 incident, Dai-Ichi Bank depositors added ¥280 million, or 43%, to total deposits. Bank policy on both deposits and extensions of credit in the early 1930s was informed by the experience of the financial panic of 1927. Deposits, it had been learned, could quickly disappear in a run, and what happened at one bank affected public sentiment about others. Loans could all too easily become nonperforming. Historian Tashiro Masao 田代正夫 points out that Dai-Ichi's management felt they needed to be wary about the inflow of deposits. From July 1931, the bank required branch officers to obtain the approval of the Head Office before accepting deposits from other financial institutions.¹³

DEPOSIT LEVELS OF THE SIX BIG BANKS

(millions of yen)

	Mitsubishi	Mitsui	Daiichi	Sumitomo	Yasuda	Sanwa
1932.6.30	616	620	648	679	607	---
1932.12.31	640	687	703	735	664	---
1933.6.30	705	696	769	815	730	---
1933.12.31	661	715	787	798	740	1,025
1934.6.30	696	759	816	827	800	1,063
1934.12.31	722	748	852	872	807	1,077
1935.6.30	752	759	868	886	818	1,080
1935.12.31	730	796	913	952	832	1,114
1936.6.30	805	824	940	970	891	1,151
1936.12.31	810	856	972	1,017	928	1,197
1937.6.30	903	904	1,054	1,093	1,023	1,263
5-yr CAGR*	7.9%	7.8%	10.2%	10.0%	11.0%	5.0%

*Compound annual growth rate. Period-to-period rates of change varied widely. For Sanwa Bank, formed in 12/33 by merger of the 34th, Yamaguchi, and Kōnoike banks, the calculation is for three-and-a-half years.

Source: *Mitsubishi Ginkō shi* 1954 (1970), p. 230.

Mitsubishi historians explain their bank's lag in deposit gathering as a function of a smaller number of branches and fewer dealings in medium-sized cities with medium-sized companies than most of their rivals. They quote Managing Director (later President) Katō Takeo's 加藤武男 remarks to the General Managers Meeting in the first half of 1936: "In terms of quality, our deposits compare favorably with those of other banks. But in terms of quantity, we still are behind the other banks. Of course we place our emphasis on quality, but at the same time, we need to make progress in increasing the quantity."¹⁴ At the end of 1936, Mitsubishi had 27 branches, Mitsui 24, Dai-Ichi 59, Sumitomo 82, Yasuda 141, and Sanwa 202.

Sanwa Bank opened for business on 11 December 1933. Formed by merger of three Osaka institutions, the 34th, Yamaguchi, and Kōnoike banks, it was bigger than any other bank in Japan by virtually every measure except one: it had the most offices and the largest amounts of deposits, loans, and securities holdings, and it was second only to Yasuda in capitalization.¹⁵ Company historians explain the condition and performance of Sanwa in its first few years largely as the results of inheritance. The parties to the merger were strongly committed to making it work, and began with a conciliatory spirit (*yūwa no seishin* 融和の精神).¹⁶ The rationalization of management that was one of the very first objectives of the merger proceeded smoothly. As the house historians see it, customers appreciated that the management of the new bank was determined to run its business in a sound manner, and transferred their trust.¹⁷

Sumitomo Bank's treatment of deposit-raising activity is linked together with its account of lending activity, and it is constructed so as to illuminate the competition among the Big Six. Tables in the Sumitomo history show the increasing concentration of deposits in the biggest banks in the decade after the Manchurian Incident.

DEPOSITS AND LOANS OF ORDINARY BANKS, 1931–1941 (millions of yen)

	Deposits					Loans				
	12/31/31	12/31/36	CAGR1	12/31/41	CAGR2	12/31/31	12/31/36	CAGR1	12/31/41	CAGR2
Sumitomo	667	1,017	8.8%	3,007	24.2%	414	618	8.3%	1,912	25.3%
Dai-Ichi	649	972	8.4%	2,504	20.8%	406	545	6.1%	1,564	23.5%
Yasuda	607	929	8.9%	2,881	25.4%	469	680	7.7%	1,695	20.0%
Mitsui	637	857	6.1%	1,789	15.9%	435	519	3.6%	1,155	17.3%
Mitsubishi	609	810	5.9%	2,068	20.6%	337	371	1.9%	1,148	25.3%
Big Five	3,169	4,585	7.7%	---	---	2,061	2,733	5.8%	---	---
Sanwa a*	910	1,198	5.7%	3,205	21.8%	568	533	-1.3%	1,666	25.6%
Big Six*	4,079	5,783	7.2%	15,454	21.7%	2,629	3,266	4.4%	9,140	22.9%
All Ordinary Banks	8,269	11,007	5.9%	29,776	22.0%	6,594	6,765	0.5%	15,465	18.0%
Big Five/All	38.3%	41.7%	---	---	---	31.3%	40.4%	---	---	---
Big Six/All	49.3%	52.5%	---	51.9%	---	39.9%	48.3%	---	59.1%	---

* Sanwa Bank figures for 1931 are pro forma, calculated by adding the figures for 34th Bank, Yamaguchi Bank, and Kōnoike Bank, which merged to form Sanwa in 1933. CAGR1 indicates the compound annual growth rate during the five years ended 12/31/36, and CAGR2, the rate in the five years ended 12/31/41.

Source: Deposit and loan amounts are from Sumitomo Ginkō 1979, pp. 297, 310, 311.

Yasuda Bank historians note that employees' efforts to raise deposits by making calls on customers and raising the level of their service were given focus by a kind of house patriotism movement (*aikō undō* 愛行運動) launched in 1930. This campaign was probably aided by the fact that depositors at many smaller banks were frightened by bad economic conditions, and needed little encouragement to withdraw their money and move it to larger institutions. Yasuda's deposits began showing significant growth about a year earlier than other big banks. At the end of 1931, deposits of ¥607 million were up by ¥17 million from one year earlier. This provided increased resources for fueling the recovery that the bank's financial results showed beginning in 1932.¹⁸

Interest margin (*rizaya* 利鞘, basically the spread between what a bank earns on its loans and investments, on the one hand, and what it has to pay its depositors and investors in its own obligations, on the other) narrowed in the course of the financial depression of the 1920s. At the Yasuda's General Managers Meeting in October 1932, Deputy President Mori Kōzō 森廣藏 addressed this problem and articulated a strategy for overcoming it: "From now on we will cause our deposits to increase greatly, and we will actively put these funds to work by making loans that are both safe and profitable. That is, we will generate profit by increasing the volume of our business."¹⁹ The deposit initiative that he spoke of turned out to be easier than the plan to boost lending, as we shall see. Between 31 December 1931 and 31 December 1936, deposits in the Yasuda Bank grew by ¥226 million to ¥833 million, or at an annual rate of 8.2%. In the same period, loans increased by ¥190 million and investments in securities increased by ¥110 million (¥89 million of which was accounted for by investments in government bonds).²⁰

Yasuda in its prewar heyday as one of the Big Six had been created in 1923 in an unprecedented eleven-bank merger, and a byproduct of this great merger was that the bank's branch network had a wider geographic distribution than any of the other big banks of the prewar period. While this offered the bank access to more potential customers, it was a disadvantage at the same time. Competition with small regional banks in the countryside required the bank to pay higher interest rates on deposits in branches outside Tokyo and Osaka, and meant that Yasuda's interest expense on earning assets was the highest in its peer group.²¹ In 1935, a strategic planning section (*kikakugakari* 企画係) was established within Business Department I. Using newly available macroeconomic information (about government spending financed by deficit-covering bonds, for example) and drawing on the record of the bank's own performance in recent years, it set the first systematic bankwide targets for deposit growth, based on 1935 year-end balance sheet figures. Yasuda aimed to add an additional ¥200 million in deposits (in practice the cheapest source of funds for banks) by 31 March 1938.²²

The concentration of capital and deposits in the hands of the biggest banks in the 1920s and 1930s has often been remarked. Such a trend was by no means unique to Japan. "In tougher times, clients tend to gravitate to the bigger firms," the noted United States financial services industry analyst Raphael Soifer of Brown Brothers Harriman once commented to a reporter for *The New York Times*, summing up developments of a turbulent year.²³ Investors and depositors generally prefer to reduce their exposure to risk and to find safe havens for

their money, when market conditions turn down, and very often they equate size with stability and strength. The impetus toward concentration does not come solely from above—from government policy or the strategic plans of the biggest companies. It reflects the will of people from below as well.

USES OF FUNDS

Loans

Because so many loans to manufacturing and commercial enterprises had become non-current in the financial depression of the 1920s, bankers had suffered through years of difficult workout situations. By the 1930s, Japanese bankers had become very cautious about making new credit available. But from 1932, in part because the reflation policies of Minister of Finance Takahashi Korekiyo stimulated a recovery, manufacturing production gradually began to grow more active.²⁴ Output in all manufacturing industries rose 2.4 times between 1931 and 1936, and benefiting from a quickening of demand after the Manchurian Incident, output of the heavy industry and chemical industry sector grew 3.4 times.

Dai-Ichi's borrowers took advantage of a recovering economy to repay old loans, reducing the level of loans, as a percent of total assets, to 32% from 42%.²⁵ From 1933 to 1934, Dai-Ichi stiffened credit standards and required branch officers to obtain Head Office approval before making any loan. The combination of tougher credit standards and lower demand for loans cut into profitability. By 1936, President Akashi Teruo 明石照男 was talking about a strategic change in lending practice. The bank should think about making amortizing loans to creditworthy manufacturing enterprises for long-term purposes, he suggested, in addition to the short-term commercial loans it had traditionally made. It was difficult for the bank to make money on the old type of loans, and margins on longer-term financings would be better.²⁶

Loan volume at Mitsubishi Bank dropped between 1932 and the middle of 1934, reaching the level of 1927–28 in the latter year. Corporate historians observe that this was due partly to low interest rates—or put the other way around, it was because the market's appetite for corporate obligations was strong. Companies took advantage of these conditions to raise funds by issuing new bonds. Corporate treasurers used the proceeds of their debt issues to repay the banks that had lent them funds earlier at higher interest rates. Bankers worried about finding new earning assets, but they were relieved to be able to collect payment on many past-due loans that they had extended in the recession of the twenties.²⁷

Beginning in the latter half of 1934, demand for bank loans picked up again. Especially notable as borrowers were the machine tool, chemical, mining, and cotton spinning industries. Loans also were made to public bodies that began to engage in various new kinds of works as the economic recovery took effect.²⁸ The writers of the Mitsubishi story do not name clients here. They present aggregated statistics and categories, but not companies' or individuals' identities.

Mitsui continued to focus its credit business on large corporate borrowers. The bank's historians illustrate this with a table showing large wholesale loans versus all loans in the years 1930–1933:

LOANS TOTALING 10 MILLION OR MORE (millions of yen and percent)

<u>As of</u> 31 December	<u>Number of</u> <u>Borrowers</u>	<u>Amount Outstanding</u> <u>to Big Borrowers (A)</u>	<u>Amount Outstanding</u> <u>to All Borrowers (B)</u>	<u>A ÷ B</u> <u>(Percent)</u>
1930	73	314	436	72
1931	70	289	434	66
1932	72	291	429	67
1933	67	271	409	66

Source: Mitsui Ginkō 1957, p. 421.

Loan demand increased from late 1931, and it grew sharply beginning in 1936. From 1921 through 1935, total Mitsui Bank loans had ranged between ¥300 million and ¥500 million. In 1936 they topped ¥500 million, and the bank added about ¥100 million a year in each of the next three years. In 1940, the total exceeded ¥1 billion. The bank's historians point out that this growth was not as fast as that at other major private sector banks, primarily because Mitsui had few branches and consequently had a harder time than its rivals in attracting new deposits (the lowest cost source of funds for a bank).²⁹

Mitsui's narrative offers a glimpse into continental expansion in the years between the Manchurian Incident and the beginning of the Sino-Japanese War. Bank Chairman Kikumoto Naojirō's 菊本直次郎 two trips to the Asian mainland in 1935 receive notice. On the second, in October, he traveled to Shanghai to observe conditions in the bank's branch there. Business was thriving, and future growth prospects prompted Mitsui to begin construction of a new office building. Finished in 1938, the Shanghai Branch would occupy the only piece of land that the bank owned, rather than leased, outside Japan, in prewar years.³⁰ The bank's historians make a point of contrasting their former chief executive's negative opinion about Manchukuo (see below) with the institution's positive view of China. But they forgo discussing the nature of the opportunities and risks in the two places, or the implications of the chairman's interest. This passage might have been the place to analyze how the activities of the bank fit into the overall pattern of Japanese expansion on the continent and the bank's own involvement outside the homeland with Mitsui-owned companies, Mitsui-related companies, and non-Mitsui enterprises.

Yasuda established credit evaluation, or credit analysis, as an independent department (*shinsaka* 審査課) in 1929 in anticipation of Japan's lifting of the gold embargo. Two years later when results were improving and it seemed that the bank had overcome the effects of the financial panic of 1927, the bank abolished this department and set up two new business departments with separate territorial responsibilities.³¹ Though the functions of research and evaluation of creditworthiness did not change materially, Fuji historians see a shift in the bank's mindset, illustrated in the statement of Deputy President Mori: "The name 'business department' is founded on the idea that we will stress promotion of business, and we have made new staff assignments with this in mind."³² In other words, the emphasis was no longer on cautious risk management. The bank's posture had become aggressive and expansive.

At Yasuda as elsewhere demand for commercial and industrial loans was weak in the early 1930s, and the aggressive posture that Mori outlined to general managers in 1932 could not quickly be translated into a higher level of assets earning interest at profitable

margins. Needing to earn enough to pay interest on the deposits and to make a profit for shareholders, but finding few opportunities to expand corporate lending business, the bank had no choice but to increase its investments in securities, both government and corporate securities.³³ Within Yasuda Bank, there were debates about lending policy. Should the bank go on with its traditional practice of focusing mainly on commercial enterprises? Or should it lend more to industrial companies? The advocates of an aggressive strategy of going along with political trends and lending to heavy industry centered on young employees; there were others who wanted to hold carefully to traditional business emphases. In 1936, Takemura Kichiemon 竹村吉右衛門 was appointed general manager of the loan department in the business development division. He took the position that the bank should concentrate on emerging industries.³⁴

As Japan moved into wartime mode, Yasuda's balance sheet began to change also. The annual increase in loans by Yasuda Bank had been several tens of millions of yen between 1931 and 1935. In 1936 and 1937, it rose above ¥100 million a year. At the Branch General Managers Meeting of April 1937, an unnamed senior executive said, "Work related to military expenditure increases with the expansion of the budget, and for that reason we have to prepare raw materials. Moreover, from the end of 1936, since our need to purchase raw materials has arisen at a time when commodity prices have tended to escalate rapidly, whether the materials are demanded by the military or by some other sector, working capital needs have risen. Additionally, with the increase in turnover of commercial goods, the numbers of those engaged in commerce has grown." In this situation, demand for funding that could be applied to speculation in stocks or commodities also increased, and Yasuda's branch managers were warned that they must strictly adhere to a "policy of ensuring that loans are made [only] to customers whose creditworthiness and assets are sound."³⁵

Investments in securities

Military spending by the Japanese state jumped from the time of the Manchurian Incident. In fiscal year 1931, it had been ¥461 million. In 1932, it was ¥710 million (up 54% from the previous year); in 1933, ¥853 million (up another 20%); in 1934, ¥951 million (up 11%); in 1935, ¥1.042 billion (up 10%). Government debt issues between November 1932 and December 1935 totaled ¥3.379 billion. Over 80% of the new bonds were underwritten by the Bank of Japan, and many of these were marketed to the ordinary banks. At the end of 1932, all ordinary banks in Japan held ¥1.188 billion in government bonds; three years later the amount had nearly doubled to ¥2.25 billion.

In the early 1930s, when demand for new bank loans to businesses was weak, Dai-Ichi's treasury managers put increased deposits to work by investing in securities. Securities holdings rose ¥176 million, or by 58%. The government and the Bank of Japan were keeping interest rates low at this time, and these balance sheet movements did not enable the bank to escape from shrinking margins.³⁶

Mitsubishi Bank managers, too, allocated more of their funding resources to investment in national and corporate bonds. The total of securities held by the bank increased from ¥282 million at the end of June 1932 to ¥404 million five years later. Proportions of

public and private debt in the bank's portfolio changed dramatically over this period. At 30 June 1932, 28% of the bank's securities holdings were national bonds, 52% corporate bonds, and the remaining 20% equities. At 30 June 1937, government bonds made up 54% of the portfolio, and corporate bonds had fallen to 33%. This reflected the increased debt issuance by the government, largely to fund growing expenditures on the military, as well as changes in the marketplace for corporate debt. Mitsubishi's historians note that several of the corporations that were successfully funding themselves in the bond market in these years were involved in the development of Manchuria and Korea: the South Manchurian Railway, Chōsen Shokusan, the Oriental Development Company, Manchuria Electric, Manchuria Telegraph and Telephone, Shōwa Seikō Sho, and the Manchukuo Northern Manchurian Railway are especially notable.³⁷

Mitsui's securities business included underwriting of entities involved in Japanese expansion. One instance was the bank's leadership of a syndicate that underwrote government bonds issued by Manchukuo and corporate bonds issued by the South Manchurian Railroad. In April 1935, Bank Chairman Kikumoto led a party of bankers from this syndicate on a one-month tour of Manchuria. There had been vociferous theorizing within military circles about not allowing the *zaibatsu* to get involved in Manchuria, following the establishment of the state of Manchukuo. To win the goodwill of the Japanese financial world, and to overcome the harm that might have been done by anticapitalist militarists, Kikumoto and his group had been invited to visit. In the event, firsthand experience did not lead Kikumoto to a favorable view of business prospects in Japan's client state. When he returned home, he reported to leaders of Mitsui Company that it was not a good time to invest in Manchukuo.³⁸

Yasuda's securities investment was mostly in government debt. Its holdings of government securities rose from ¥95 million to ¥167 million during the three years ended 31 December 1935.³⁹ The bank did develop fee-producing business related to corporate securities, taking, for example, the job of trustee for corporate debt issues by Nihon Denki Kōgyō and Asano Shipbuilding in 1935.⁴⁰ Elected chairman of the board of directors of the Tokyo Clearing House in March 1935, Mori Kōzō presided over the meeting of the National Federation of Clearing Houses (Zenkoku Tegata Kōkanjo Rengō Kai 全国手形交換所連合会) the next month. At the time this was the only national banking association in Japan. The Yasuda Bank chief addressed the members, and expressed some concern about the increase in military spending: "A country's military spending must be planned so as to be consistent with its national policy, yet at the same time I think that it always must be kept in line with the wealth producing capability of the people (*kokumin no furyoku* 国民の富力)." Turning to the need to prevent inflation, he stressed the need to maintain trust in the currency, and suggested, "The most important thing is to limit the volume of currency, and the second most important is to allow the workings of capital to flourish." He warned against potential harm that might be caused by a controlled economy, "The government seems to think it can use its power at will and even to try its hand at running privately owned facilities. If it restrains the activity of private capital, and if it adopts policies that squeeze off most of the profits that are earned, then it will kill the usefulness of capital, and as a consequence people will lose

confidence in the currency.” Fuji Bank’s historians, citing a newspaper account characterizing Mori’s speech as a blow against militarism and the notion of a control economy, comment that it evoked widespread approval at the time.⁴¹

The Sino-Japanese War to Pearl Harbor

War with China made economic and financial demands on Japan that exceeded the capacity of the system that was in place when the fighting began in July 1937. The government, spurred on by the military, did not have the patience to wait and see if market forces would create new funding vehicles. Instead it began imposing new regulations, most notably the Emergency Funds Adjustment Law (10 September 1937); the National Mobilization Law (1 April 1938); the Decree on Price Controls (18 October 1939); and the Decree on Funds Management by Banks and Others (19 October 1940). At the end of 1940 the principles for establishing a “New Order” (*shintaisei*) for Japan’s economy were announced.⁴² “The ‘New Order’ was one that tried to restructure fundamentally the free market economic organization that Japan had had up to that time, and remake it by giving precedence to the public good and by introducing a planned economy.”⁴³ More and more goods fell into the category of controlled goods, and their production and distribution was steered to controlled companies (*tōsei gaisha* 統制会社) or associations (*tōsei kumiai* 統制組合). The old wholesalers (*toiya* 問屋) and retailers were brought under these controlled organizations, and small and medium-sized businesses were subjected to great changes in the basis of their operations.

Despite the advance of regulation, the historians of the six biggest banks agree that until 1940, much was left to the discretion of bank managers. Then the rules began to get more concrete. In the second half of 1940, the government required banks with over ¥50 million in deposits (that is, fifty-nine of the ordinary banks) to submit estimates of the expected increase in deposits, loans, and securities holdings. The seven largest banks consulted together, and proposed three points to the government: (1) they would add to their holdings of government securities by 30% of the amount they collected in new deposits; (2) they would add to their holdings of corporate debt by 20% of the amount they collected in new deposits; and (3) they would limit the total of new loans to 50% of the amount they collected in new deposits.⁴⁴

SOURCES OF FUNDS

Mitsubishi Bank raised its level of deposits after the war in China began, as did other banks. This was a product of deliberate effort, and also of the economic recovery stimulated by heavy government spending. The bank’s historians select some comparative statistics that suggest much about the trend of the time, after reminding readers that Mitsubishi was disadvantaged in deposit generation by its relatively small number of branches. A few of the numbers are laid out in the following table:

DEPOSITS OF ORDINARY BANKS							(millions of yen)	
As of	<u>Mitsu-</u>	<u>Dai-</u>					<u>Dai-</u>	<u>All Ordinary</u>
31 December	<u>bishi</u>	<u>Ichi</u>	<u>Mitsui</u>	<u>Yasuda</u>	<u>Sumitomo</u>	<u>Sanwa</u>	<u>Hyaku</u>	<u>Banks</u>
1937	932	1,120	945	1,089	1,152	1,340	788	12,352
1941	2,067	2,504	1,789	2,880	3,007	3,204	1,698	29,406
Compound annual growth rate	22.0%	22.3%	17.3%	27.5%	27.1%	24.4%	21.2%	24.2%

Source: *Mitsubishi Ginkō shi* 1954 (1970), p. 277.

A new chairman, Katō Takeo, addressed the Mitsubishi general managers in the second half of 1938. He noted that the bank had passed the million yen mark in deposits, but expressed some concern about the quality. Time deposits were not increasing as fast as demand deposits, which are more volatile and therefore less preferable. He drew a comparison with his bank's peers, and exhorted his managers to compete, promising a new strategy that would help them in the struggle against their rivals: "I want you to make even greater efforts, and to fight to make our deposits inferior to none of the other five big banks, needless to say in quality, but also in quantity. The point on which our bank has a relative weakness, compared to the other banks, is clearly that we have a small number of branches. Our policy from now on will be to work ceaselessly to increase the number of branches."⁴⁵

The banker-historians observe that even though the Japanese economy passed 1938 and the beginning of 1939 in relatively good shape, the leaders of Mitsubishi were aware of uncertainty and the dangers all around, and "constantly kept in mind making the operation of our bank safe and sound." They excerpt a resigned, weary sounding statement from Chairman Katō's remarks to the Branch General Managers Meeting of May 1939: "At the Financial Roundtable Conference that I attended there was an exchange of opinions about the situation in Europe and the road ahead in the Sino-Japanese Incident, and how we should deal with these. But in the end no one could forecast what will happen, and I could hear nothing but expressions of the view that we have to make the best of things as they actually are (*genjō zen-sho teido no iken* 現状善処程度ノ意見)."⁴⁶ We might speculate that the postwar historians were happy to be able to cite these words, conspicuously lacking in militaristic or imperialistic enthusiasm, from their former chief executive. We can only assume that the quote accurately represents the whole of Katō's speech and his thinking at the time. At the same 1939 meeting of Mitsubishi branch officers, Managing Director Takagi Kenkichi 高木健吉 voiced misgivings about the direction of change. "It is extremely difficult to make judgments about present economic circumstances using the concepts that applied to the free economy of the past (*jūrai no jiyū keizai* 従来の自由経済)," he said. "And even for the authorities it is hard to predict the future course of things. Fortunately in the period from August 1937 though May 1939 our national power has increased and we have built up a considerable supply of all kinds of stocks. Yet even if there is not some sudden great upheaval, my worries about how long we can continue the present state of affairs are truly almost unbearable."⁴⁷

Critical readers today may be struck by the emphasis on business competition and the paucity of discussions of the larger issues of the era, such as continental war and the connec-

tion between Japan's foreign policy and its economic difficulties. The bank's historians have touched on these, to be sure, but lightly, without any elaborated analysis or explicit attribution of praise and blame. What Katō did not treat in his remarks, and what Mitsubishi's historians writing nearly a decade after the war did not directly address, is what Deutsche Bank historians in the 1990s dealt with repeatedly as they composed their account of the 1930s and early '40s: How did the bank's actions comport with national policy objectives, and what were the larger social and political consequences of the bank's decisions? The Mitsubishi account makes it clear that the bank complied with government policy. It is apparent, though it is not stated in so many words, that the bank made credit available to companies (many of them Mitsubishi Group concerns) doing war-effort related business, and that this business was profitable for the bank for several years.

Even before July 1937, Sanwa's Head Office Planning Department already had been urging branches to drum up more deposits, and after conflict in China began, the bank vigorously pursued deposit growth as a way of cooperating with state policy. Its efforts were strengthened and made more systematic after the Peoples Savings Movement was launched nationwide in 1938.⁴⁸ When the government implemented the Peoples Savings Union Law in June 1941 and gave ordinary banks permission to offer small savings account (*chochiku yokin* 貯蓄預金) services, "Sanwa took the opportunity and developed a great educational campaign, and cooperated with the national policy of increasing savings."⁴⁹

With demand for loans by heavy industry rising as more arms were built, there was pressure on Yasuda to draw on its branch network to raise deposits from all over Japan and then to concentrate the bank's lending on the few areas where heavy industry's plants were located. Among the branch general managers, some spoke up for raising funds by borrowing from the Bank of Japan, using Yasuda's holdings of government bonds as collateral. This was legal, and fairly common at other banks. Deputy President Mori rejected this idea, however, saying, "Our bank must never forget the principles of safety and soundness in dealing with our depositors. To make loans with borrowed funds is to forget where we have come from."⁵⁰ His reluctance to put borrowed funds (as distinguished from funds raised by taking deposits) at risk seems rather quaint by current banking standards, but Mori's conservatism was not uncommon in its day.⁵¹ He was not afraid to use deposits as the funding base for sound lending, but he did not wish to put other Yasuda borrowings at risk by using them to create loan assets, and he did not want to give the Bank of Japan a collateralized obligation of the bank that might enable it to make claims that had precedence over the claims of depositors. Mori's remarks on this occasion are notable not only for the sense of fiduciary responsibility that they evidence, but also because of the context. The historians of Fuji bank do not explicitly say that Yasuda's chief operating officer insisted on sticking to sound banking practice at a time when many others were letting their judgment be affected by the enthusiasms of Japanese national expansion, but that is the implication of the quotation.

Yasuda reached the goal of raising ¥1 billion in deposits in October 1937 (the target date had been 31 March 1938). Immediately the goal was reset to ¥1.2 billion, then, when that level was attained at the end of September 1938, it was raised again to ¥1.5 billion. In June 1939, it was revised to ¥2.0 billion.⁵² In 1940 Yasuda Bank commemorated its sixtieth

anniversary. Having just attained its most recent goal for deposits of ¥2 billion, it could boast of having taken ¥1.5 billion in new deposits in the five years since 1935, tops among the six largest banks in Japan. It had increased its loans by some ¥900 million during the same period, and it had increased its securities holdings by about ¥500 million (of which about 80% were government bonds). Operating profit (*keijō rieki* 経常利益) reached ¥30 million in 1940, nearly three times the level of 1935. At the ceremony celebrating the bank's anniversary, on 7 May 1940, Yūki Toyotarō 結城豊太郎, once Yasuda's chief operating officer and now governor of the Bank of Japan, was the honored guest, and he made a congratulatory address.⁵³ It was for this occasion that Yasuda Bank published its first bank history.

USES OF FUNDS

Loans

The Diet enacted the Emergency Funds Adjustment Law in September 1937. Aimed at tightening the screws of control, the key provisions of this law (1) required banks to adjust lending policies to avoid the flow of funds into industries that were not critical to the situation, (2) established special preferential treatment rules for issues of shares and bonds by companies engaged in production of equipment and supplies for the military, and doubled the quasi-governmental Industrial Bank of Japan's underwriting limits to facilitate that bank's ability to supply funds to favored industries, and (3) allowed a new issuance of savings bonds in order to heighten the nation's absorption of government debt. Mitsubishi Bank historians relegated their evaluation of the first of these provisions to a footnote, saying, "The operation of this law still left some room for autonomous decision, but banks' freedom of choice as to which borrowers would receive credit and how much would be lent had become regulated by state objectives."⁵⁴

SELECTED ASSETS OF ALL ORDINARY BANKS, 1937 (millions of yen)

Source: *Mitsubishi Ginkō shi* 1954 (1970), p. 246.

	Mitsubishi	Mitsui	Daiichi	Sumitomo	Yasuda	Sanwa
1932.6.30	616	620	648	679	607	---
1932.12.31	640	687	703	735	664	---
1933.6.30	705	696	769	815	730	---
1933.12.31	661	715	787	798	740	1,025
1934.6.30	696	759	816	827	800	1,063
1934.12.31	722	748	852	872	807	1,077
1935.6.30	752	759	868	886	818	1,080
1935.12.31	730	796	913	952	832	1,114
1936.6.30	805	824	940	970	891	1,151
1936.12.31	810	856	972	1,017	928	1,197
1937.6.30	903	904	1,054	1,093	1,023	1,263
5-yr CAGR*	7.9%	7.8%	10.2%	10.0%	11.0%	5.0%

At the Mitsubishi Bank General Managers Meeting for the second half of 1937, Chairman Sejimo Kiyoshi 瀬下清 laid out a new lending policy. "Two or three years ago

when the state of financial affairs in Japan was lackluster, we urged you to book more loans. Our efforts then can be compared to pulling up seeds. But within the last year we have finally begun to see a few buds sprouting. Especially quite recently we are in a situation in which Mitsubishi-affiliated companies and firms related to them are rapidly increasing their demand for funding,” he explained. “As Mitsubishi Bank, however, in accordance with the traditional Mitsubishi spirit, we have to hold to policies that are a little different from other ordinary banks. That means we must avoid going to the Bank of Japan to seek funds. Rather, as a top-tier bank, we must be a net supplier of funds to the Bank of Japan. . . . Therefore, we will face the future with our traditional policies, and indeed we will add even more of the flavoring of austerity. We hope to do transactions that are full of promise for the future.”⁵⁵

Overall lending patterns of the major banks and all ordinary banks can be seen in selected statistics presented by the Mitsubishi writers:

LOANS OF ORDINARY BANKS								(millions of yen)
As of	<u>Mitsu-</u>	<u>Dai-</u>			<u>Sumi-</u>		<u>Dai-</u>	<u>All Ordinary</u>
31 December	<u>bishi</u>	<u>Ichi</u>	<u>Mitsui</u>	<u>Yasuda</u>	<u>tomo</u>	<u>Sanwa</u>	<u>Hyaku</u>	<u>Banks</u>
1937	530	712	616	786	736	610	398	7,712
1941	1,147	1,563	1,154	1,695	1,912	1,666	911	15,142
Compound annual growth rate	21.3%	21.7%	17.0%	21.2%	27.0%	28.6%	23.0%	18.4%

Source: *Mitsubishi Ginkō shi* 1954 (1970), p. 278.

In the face of much uncertainty, Mitsubishi adopted cautious management policies, and succeeded in cultivating steady growth of deposits, loans, and securities investments. Chairman Katō Takeo was able to say to the general managers late in 1940, “Some other banks have received criticism because of their sudden tightening when there was a great deal of volatility in financial markets in September and October, but we must be delighted that our bank has had no difficulties.” The bank’s historians point out that there were almost no bad loans on the balance sheet at the time.⁵⁶

The composition of Mitsubishi Bank’s loan portfolio changed with the times. The bank committed more credit to heavy industries such as metals and machinery and less to light industries that produced for civilian consumers. Mitsubishi historians note that by the end of 1941, Mitsubishi Heavy Industries, Mitsubishi Mining, Asahi Glass, Nihon Kasei Kōgyō, Mitsubishi Rolled Steel, Nihon Light Metals, and Mitsubishi Electric had all become major borrowers. Before the war with China began in 1937, not one of those companies had borrowings that amounted to as much as one percent of the bank’s total loans. In the same period, credit made available to several other once major customers declined or at least failed to grow: Mitsubishi Trading, Mitsubishi Property, Mitsubishi Paper, Mitsubishi Warehouse, and Kanegafuchi Spinning are enumerated. The bank’s house historians do not detail how much was lent to any of these borrowers, or explain what, exactly, the recipients of credit produced, using the proceeds of the loans. Merely by giving the list, however, they make the obvious concrete—Mitsubishi Bank was supporting the manufacture of armaments, as were other banks, and the makers of weapons who were beneficiaries of wartime financing can be

named.⁵⁷

Mitsubishi Bank opened a number of new offices to provide credit and other banking services to companies producing weapons and other military supplies, and to the communities that grew up around their new manufacturing facilities. For the first time the bank established branches to the west of Kobe. Many affiliated manufacturing companies, including Mitsubishi Heavy Industries, Mitsubishi Mining, Mitsubishi Electric, and Nippon Kasei Kōgyō, had factories in the Kita Kyushu area, and the bank sited its first Kyushu branch in Kokura.⁵⁸

In their account of a leadership transition in the Mitsui group in 1938, Mitsui historians make a point about how broad political and military developments affected their company. The former chief operating officer of the bank, Ikeda Shigeaki, stepped down from the post of principal managing director of Mitsui Company (Mitsui Gōmei, the central holding company of the Mitsui *zaibatsu*) upon the introduction of new age limits for senior executives that year. He was nearly sixty-nine, and he had just spearheaded a group reform that, among other things, set the mandatory retirement age for all Mitsui directors at sixty. His successor as the chief officer of the Mitsui companies, Nanjō Kaneo 南条金雄, immediately published a statement that put him on record as a wholehearted supporter of the policies of the government. Bank historians paraphrase thus: “He made clear a plan to cooperate positively with national policy.” Nanjō decided that Mitsui should enter new areas of production in order to achieve this, including liquefied coal, automobiles, and aircraft.⁵⁹ In a delicate understatement, the bank’s historians observe that Mitsui thereby lost something of its old strong peaceful character:

In September 1937 the Emergency Funds Adjustment Law was promulgated, and in October 1940 the Decree on Funds Management by Banks and Others was promulgated. By such means, the flow of bank loans came to be regulated, but at the same time, state control over corporations also was being strengthened. Thus our bank’s borrower list naturally began to show changes.⁶⁰

MITSUI BANK LOANS TO MITSUI COMPANIES AND MITSUI-RELATED COMPANIES
(thousands of yen)

	<u>31 Dec 1939</u>	<u>31 Dec 1940</u>	<u>Pct Chg</u>
Mitsui Company (Gōmei)	15,000	---	-100.0%
Mitsui Trading*	9,494	84,862	246.5%
Mitsui Mining	13,538	29,768	119.9%
SUBTOTAL	38,032	114,630	201.4%
Tokyo Shibaura Electric	9,000	10,800	20.0%
Oji Paper	17,402	24,357	40.0%
Hokkaido Coal Mining & Shipping	1,500	5,000	233.3%
Denki Kagaku Kōgyō	1,500	3,900	160.0%
Tōyō Menka	219	703	221.0%
Kanegafuchi Boseki	44,174	41,691	-5.6%

	<u>31 Dec 1939</u>	<u>31 Dec 1940</u>	<u>Pct Chg</u>
Nippon Seikōsho	5,075	6,250	23.2%
Nippon Flour Milling	22,492	17,441	-22.5%
Dai Nippon Celluloid	7,296	7,382	1.2%
Onoda Cement Manufacturing	1,261	1,682	33.4%
Tōyō Kōatsu Kōgyō	---	1,340	NM
T O T A L	147,951	235,176	59.0%

Source: Mitsui Ginkō 1957, p. 423.

In August 1940 the Mitsui Company (Mitsui Gōmei) was merged into Mitsui Trading (Mitsui Bussan, today known as Mitsui & Co., Ltd.) The product of this amalgamation effectively operated as a holding company for other enterprises owned by Mitsui. Under pressure from the authorities to raise levels of production, Mitsui & Co. got involved in the funding of owned or otherwise closely related entities. Mitsui Bank no longer had free discretion in credit decision making, and by the end of 1940, it had departed from its longstanding policy (and what was at the time regarded as sound banking practice) and made loan commitments that added up to more than the total deposits in the bank.⁶¹

Charged with allocating as many of its resources as possible to the war effort, Mitsui cut down the amount of credit it made available to electric utilities and electric railways, industries that the bank had long been bullish in supporting. As a percent of total loans, credits to electric power companies fell to 10.5% at the end of 1938 from 22.7% eight years earlier; credits to electric railways dropped to 3.7% of total loans at 31 December 1940, from 10.1% at their prewar peak at the end of 1934.⁶² The Nihon Hassōden Kaisha was created to take complete control of electric power production, and the state mandated that private sector banks form syndicates to fund loans, as needed, for this new company.⁶³

Sanwa's business relationships were strongest with light industry and commercial enterprises that served the consumer economy around its base in Osaka. While the momentum of sectoral growth had been shifting toward heavy industry and away from light industry since the Manchurian Incident, the trend became much more pronounced under the economic controls introduced after July 1937. Sanwa was handicapped, its historians think, by having all its Head Office functions in Osaka, rather than in Tokyo where it could more easily have cultivated relations with important central authorities. Even so, Sanwa's business expanded because the rising prices after 1937 contributed to higher revenues in some segments of the civilian economy, and some Osaka-area light manufacturing industries benefited from growing sales in the territories where the Japanese army gained dominance.⁶⁴

Sanwa's forerunner banks had been strong in financing of the Osaka textile industry, and Sanwa continued to play an important part in providing funds for this industry. But the bank could not escape being influenced by the mood of the times. Adapting to circumstance, Sanwa displayed what its historians describe as a "tendency to move aggressively into financing of war-related industry." Particularly from around the end of 1940, Sanwa adopted a positive posture in soliciting new business with companies in war-related manufacturing, and

with the Osaka Army Ordnance Manufacturing Facility and other military-related offices and operations in and around Osaka. After the Ministry of Finance eased restrictions on branching, Sanwa moved into a number of new locations in the Tokyo, Osaka, Kyoto, and Fukuoka areas.⁶⁵ In June 1941, Sanwa joined Sumitomo, Yasuda, Dai-Ichi, Mitsubishi, Mitsui, and Dai-Hyaku banks in forming a lenders' council, and two months later, Sanwa became a member of the new Crisis Cooperative Finance Organization.⁶⁶ "Sanwa Bank provided loans to enterprises that had been singled out for favored treatment by the government, and aggressively participated in the syndicated investing and lending, and gradually we shifted to a posture of receptiveness to the demands of wartime."⁶⁷ Not only Sanwa, but the other big banks also were acting opportunistically, as competitive businesses generally do.

Sumitomo's historians highlight the impact of the Sino-Japanese War by examining credits to Sumitomo group companies and credits shared with other banks. Before 1937, they note, loans to affiliated companies comprised a relatively small portion of assets. As of 31 December 1936, the bank had ¥8.5 million in credit outstanding to various Sumitomo companies, or just 1.4% of all loans. That changed quickly after Lugou Bridge. By the end of 1937, the figures were ¥35.3 million and 4.8%, and thereafter the levels continued to climb rapidly.

SUMITOMO BANK LOANS TO AFFILIATED COMPANIES, 1938–1943 (millions of yen)

As of 31 December	Loans	Pct Change from Year Earlier	Percent of Total Loans
1938	63.6	---	7.1
1939	108.9	71.1	9.0
1940	202.6	86.1	12.6
1941	290.4	43.3	15.2
1942	352.1	21.2	16.4
1943	507.5	44.1	17.0

Source: Excerpted from data in table, Sumitomo Ginkō 1979, p. 362.

Several Sumitomo companies were critical suppliers to the military. The bank's house historians note that, but do not elaborate. Readers are left to their own devices if they want to know what these firms produced, and in what quantities.

By late 1940, one-tenth of Sumitomo's loans were participations in syndicated financings (*kyōdō yūshi* 共同融資). Most of these syndications were arranged by the Industrial Bank of Japan. Tight government controls grew still more intrusive in October 1940 with implementation of the Decree on Funds Management for Banks and Others. Having less scope for independent credit decision making, by year-end, Sumitomo had departed from two traditional commercial banking practices: it was making more funds available to industrial borrowers than to commercial borrowers, and more than 10% of its loans were for purposes of funding fixed investment in plant and equipment.⁶⁸ The bank's historians stress that senior managers insisted on prudent lending standards even while assenting to the political

objectives of the state. They quote Managing Director (later President) Okahashi Rin's 岡橋林 remarks at the 1940 managers meeting: "Of course we give priority to the common good [*kōeki* 公益] and we adapt to state policy [*kokusaku* 国策]. But we cannot neglect the elements of safe banking [*ginkō no shigoto no ue de wa anzen no yōso* 銀行の仕事の上では安全の要素]. It is being said that it does not matter if a bank loan becomes overdue, and that it is acceptable to make loans in areas where there are many risks, so long as there is compensation from the government. However, I think that even if the government offers compensation, one cannot take this position. Banks have a need to make loans that can be used [and then repaid] at a time certain."⁶⁹ A more critical reading of the record might emphasize the acquiescence, and interpret the comment about lending standards as a mere face-saving gesture. The problem for historians is how to judge a statement that captures the ambivalence of practical financiers of 1940, expressing acceptance of the system as it was, on the one hand, and reservations about the safety and soundness of that system, on the other.

After the outbreak of conflict in China, the Yasuda General Managers Meeting of April 1938 deliberated on what measures the bank should take. They decided, "With respect to putting government policies into concrete practice, we can do no more than to make the best of (*zensho suru hoka nai* 善処するほかない) whatever particular circumstances we find ourselves in, in keeping with the development of events. In the end what is most important is to keep increasing loans as we increase deposits, and as a result of this, to increase profits."⁷⁰ Not attributed to any single person, or even to the general managers as a body, this statement might be characterized as fatalistic or amoral. Then again it might be called realistic. It certainly shows an unresisting and pragmatic attitude, and a willingness to accept the situation as it was and play the hand that had been dealt.

Banks' powers of discretion in making lending decisions were limited as the government's financial controls strengthened. Yasuda's overt response was positive. In August 1940, a Head Office notification to branches and departments stated: "(1) With regard to new loan transactions, we will give priority to those that serve the purposes of national policy. . . . (2) We will refrain from providing funds for speculation and from making new loans that have nonessential purposes. (3) As for existing loans, we will increase our scrutiny, and we will make the utmost effort to reduce or obtain full repayment of those that have purposes with which we are not satisfied."⁷¹ The effect of this seems to have been that Yasuda reduced its lending to commercial businesses with which it traditionally had dealt, and focused more on enterprises connected with the war effort. The bank's historians are too discreet to identify particular borrowers in this instance. They do, however, give the example of the textile industry, in which the bank made credit available to twenty-four of the twenty-seven companies that had been set up as organs of central control, and with twenty-five of the twenty-eight controlled regional distribution companies.⁷²

Investments in securities

The government greatly increased its spending after the outbreak of war in China. Within months, government payments to manufacturers circulated through the economy and eased the tightness that had obtained in the financial sector. In the short term, corpora-

tions that had borrowed from banks were able to pay down their loans, and the banks' restrictive policies regarding the extension of new credit resulted in a decline in loans. Customers were able to make deposits, but instead of using those deposits as the basis for new loans, bank asset allocation managers were putting the money to work by investing in securities, especially the new issues of government bonds.

In the four-and-a-half years from 30 June 1937 to 31 December 1941, Mitsubishi Bank added ¥324 million in securities to its portfolio, an increase of over 80 percent. Typically, Mitsubishi's historians disclose more specific information about the targets of this investment than their counterparts at the other big banks. Close to nine-tenths of the increase was government bonds, which made up 69 percent of the portfolio at the end of 1941, but corporate bond holdings also increased by 11 percent to ¥149 million. Of course most of the funds put into government bonds supported the war in China. The composition of the bond portfolio suggests that much of the bank's corporate investment, also, backed continental expansion or war-material production during these years: issuer names included the Industrial Bank of Japan (the primary supplier of funds to companies engaged in war production), North China Development Company, Central China Development Company, Nenyō Kōgyō Gaisha, and other companies that manufactured products used by the military.⁷³

Fuji Bank historians quote, without attribution and without comment, a statement made at the General Managers Meeting of November 1941: "With the international situation becoming urgent, it is certain that we will see a growth by leaps and bounds of military expenditures, and that the amount of public debt issuance will increase more and more. Mission number one for us is to raise a large amount of funds so that we will be able to acquire [literally, digest] public bonds. Next, mission number two is to raise the large amount of funds needed to maintain and expand productive capacity in order to assure the supply of military stores of all kinds."⁷⁴

The Industrial Bank of Japan was ordered to provide financing to strategic industrial companies in April 1939,⁷⁵ and the state undertook to cover any losses that the bank might suffer. In August 1941, the government implemented the "munitions bills underwriting system" (*gunju tegata hikiuke seido* 軍需手形引受制度), whereby the Bank of Japan would rediscount at any time the munitions bills that private sector banks had acquired from the underwriter, the Industrial Bank of Japan.⁷⁶ The authors of the Fuji Bank history do not comment on whether their bank ever had to rediscount munitions bills; indeed they do not specifically say that the bank purchased munitions bills from IBJ, but it is likely that it did.

The Pacific War

It may astonish readers that most of the Big Six histories do not refer by name to Pearl Harbor, Midway, Guadalcanal, Okinawa, or any other of the hugely consequential military encounters of the Pacific War. Almost surely this reflects accurately the focus of the bankers on banking business, even during the war years. This is not to say that there is no awareness of the war in the banks' accounts. The war determines almost everything. But it is seen almost exclusively in economic perspective. In combination with the policies of governments that

were beyond the capacity of the banks to influence, the war was a cause of shortages, hardship, and sacrifice of all kinds. The writers of Mitsui's eighty- and hundred-year histories, for example, are not disposed to criticize the overall aims of the war, or the conduct of business by their corporate predecessors under conditions of wartime. Essentially theirs is an ambivalent position. On the one hand, they can observe with regret that economic freedoms were usurped, many lives lost, and much property destroyed; war meant waste and destruction. On the other, they can report without irony or bitterness on the kind of thinking that led their forebears to support a long and terrible war.

In a matter-of-fact tone, and without meting out praise or blame, Sanwa's writers offer what can be taken as a representative interpretation of the development of the control system for financial institutions during the Pacific War years. The process was "the establishment of a self-regulating financial control structure centered on the Bank of Japan." The general conception was that financial institutions would control themselves in conformity to state policy. In practice this meant that banks, securities firms, insurance companies, savings societies, and other financial organizations were deprived of their autonomy. "Essentially it was close to financing upon command."⁷⁷ It goes without saying (and the Sanwa historians did not say it) that all who continued to follow the banking profession cooperated.

SOURCES OF FUNDS

With the widening of the war to the Pacific and Southeast Asia, the government's need for funds became more severe. It decided to mobilize even the small savings of ordinary people. New regulations for savings accounts encouraged small deposits (*chochiku* 貯蓄), offering compound interest under certain rules, increasing the number of choices for savers, and, from 1943, allowing ordinary banks to compete for savings by offering accounts similar to those hitherto restricted to savings banks and credit unions. In 1944, newly designed accounts called National Debt Deposits were offered, permitting neighborhood associations or workplaces to gather people's savings and specify that the funds be invested in government bonds; banks took these deposit funds, and allowed withdrawals only for purposes of government bond purchases. Funds raised through these small savings vehicles purchased a sizable number of bonds.⁷⁸

Teikoku Bank added risk assets faster than it took in deposits, toward the end of the war. By the end of September 1943, the total of loans and securities in the bank's portfolio (mostly government bonds) was greater than total deposits. Earlier, Mitsui and Dai-Ichi had always had more deposits than loans and securities. The bank had to fund the difference by borrowing. This was typical of the biggest banks.

DEPOSITS, LOANS, AND SECURITIES HELD BY TEIKOKU BANK, 1943–1945
(millions of yen)

	Deposits	Loans	Securities		Borrowed
	(A)	(B)	(C)	A - B - C	funds
September 30, 1943	5,877	4,003	2,194	(320)	455
September 30, 1944	7,779	6,057	2,695	(973)	1,130
September 30, 1945	13,319	14,332	3,374	(4,387)	5,431
CAGR	50.5%	89.2%	24.0%	270.3%	245.5%

Source: Data are from Mitsui Ginkō 1957, p. 429. Compound annual growth rates have been added. Cf. the table showing Deposits, Loans, and Securities Held by All Ordinary Banks, 1943–1945, *Mitsubishi Ginkō shi* 1954 (1970), p. 354.

Yasuda's deposit-amassing effort got a new goal in 1942, when its business department newsletter projected five more years of growth at the rate—28.6% per annum—of the previous three years. With deposits standing at ¥2.88 billion at the end of 1941, the bank would top the 10 billion level by the end of 1946. “A ‘¥10 billion 5-year plan’ is not necessarily a dream,” the writers asserted.⁷⁹ In fact “10 billion in savings” (*hyakuoku chochiku* 百億貯蓄) was already a marketing slogan, and the Fuji Bank history carries a picture of the Kanazawa Branch, taken in 1939, showing banners with two patriotic slogans, “*ichioku isshin, hyakuoku chochiku*” 一億一心百億貯蓄 and “*Kōgun banzai*” 皇軍万歳. (The caption simply says “Kanazawa Branch hung with a banner of the 10 billion in savings movement.” Fuji historians fail to remark on the pairing of the bank's advertising campaign slogan with the ultranationalist propaganda catch phrase of the Imperial Rule Assistance Association, *ichioku isshin*, “one hundred million people with one mind.”)⁸⁰ In May 1943 President Mori urged general managers to take the attitude expressed by the slogans “The Bank that is Friendliest to the People” and “The Bank that is Easiest to Do Business With.” The number of deposit accounts rose from 610,000 at the end of 1941 to 1,830,000 as of 30 September 1944. Some amalgamations of smaller banks into Yasuda occurred in 1943 and 1944, and with the government pouring a huge amount of funds into the economy to support the war effort, deposits did reach ¥10 billion by 30 June 1945.⁸¹

USES OF FUNDS

Loans

The escalation of the war is reflected in movements in Mitsui Bank loan assets. A breakdown of the loan portfolio by industry as of 30 June 1942, shows the continuation of the trend away from electric utilities and railway lending and toward war goods supply.

MITSUI BANK LOANS AS OF 30 JUNE 1942 (millions of yen)

Industry	Loans	Percent of Total
Holding companies	120.8	11.9
Trading companies	128.8	11.8
Machinery and tools	108.2	9.9

<u>Industry</u>	<u>Loans</u>	<u>Percent of Total</u>
Wholesale goods	98.7	9.0
Chemicals	88.5	8.1
Textile manufacture	82.1	7.5
Individuals	80.5	7.4
Metal manufacturing	72.3	6.6
Mining	59.8	5.5
Food and processed food	45.2	4.1
Electric and gas utilities	41.7	3.8
Transportation	38.0	3.5
Other	118.1	10.8
TOTAL	1,091.7	100.0

Source: Mitsui Ginkō 1957, p. 425.

The pace of the big banks' activity accelerated as the military situation grew more desperate.

BIG FIVE BANK LOANS IN THE FINAL STAGE OF THE WAR (millions of yen)

	<u>Teikoku</u>	<u>Mitsubishi</u>	<u>Yasuda</u>	<u>Sumitomo</u>	<u>Sanwa</u>	<u>Big 5 Total</u>
1943	4,003	2,795	2,673	2,813	2,453	14,737
1945	14,332	9,202	10,997	8,109	6,793	49,433
CAGR	89.2%	81.4%	102.8%	69.8%	66.4%	83.1%

As of 30 September. CAGR = Compound annual growth rate

Source: Data excerpted from table, Mitsui Ginkō 1957, p. 425.

A small portion of the phenomenal growth of Teikoku loans is explained by the amalgamation of Fifteenth Bank in September 1944.⁸² But vastly the greatest part of the increase was attributed by Mitsui historians to the implementation of the Law on War Supply Companies, from December 1943. This law made certain companies responsible for production of vital materiel, exempting those firms from restrictive controls and guaranteeing profits in exchange for the heavy burden of being so designated. At the same time, the government adopted the "system of designated financial institutions for providing funds for war supply." Two lists of designated war supply companies were issued. The first had 150 names, the second, 424. Teikoku Bank was designated as the financial institution in charge of loans to nineteen companies in the first group and 92 companies in the second. Acquisition of Fifteenth Bank brought responsibility for fifteen more companies, and a later supplemental list of 109 companies included seventeen more for whose borrowing needs Teikoku was put in charge. The writers of Mitsui's history disclose the names of the 173 war supply companies that Teikoku had been designated to arrange financing for, by the end of 1944.⁸³ In principle one war supply company was linked with one bank, as these laws were enforced, but bigger companies had more than one bank. It was the needs of the war supply companies under this system that drove the tremendous loan expansion of the last couple years of the war.

What were known as “matched loans” (*miai yūshi* 見合融資) to insurance companies mounted up to a significant total in this same final period of the war. In Teikoku Bank’s case, credits to fourteen firms aggregated to ¥4.1 billion by September 1940. The purpose of these was to cover payments of claims for war destruction, especially from air raids. The government eventually paid compensation money to the insurer, but during the interval between the settlement of the claim and the receipt of reimbursement from the state, insurance companies needed bank loans to fund their operations.⁸⁴

When the Law on Special Measure for War Supply Finance was implemented, Mitsubishi elevated the unit in charge of war supply finance to the level of a division (*bu* 部). Bank historians reproduce the division chief’s instructions to branches, then they quote the reminiscences of a staff member. The former betrays no sign of misgiving about the policy of lending to war supply companies, only a concern for executing that policy efficiently. Nor does the latter contain anything apologetic—just a prosaic statement about the work and the spirit that animated those engaged in it, concluding, “We in the division and the managers of certain of our bank’s operating units, as the ones charged with carrying out this war supply finance, were treated as public servants. This was probably because the lending we were doing touched upon military secrets, if only a little. We felt that we were in the first rank of the line of battle on the home front, and our consequent sense of responsibility was made heavier.”⁸⁵

The Industrial Bank of Japan was charged with much of the responsibility for financing the buildup of production needed in wartime, but it could not carry the burden alone. In October 1940, the government extended the order to provide credit accommodations to the ordinary banks, as well. In August 1942, the minister of finance demanded that the city banks (*shichū ginkō* 市中銀行) shift from concentrating on commercial finance to concentrating on manufacturing finance. He proposed that the city banks act jointly when making investments or providing loans, and when collecting interest and principal payments. Yasuda Bank was one of eleven institutions, led by the Industrial Bank, that thereupon started the Wartime Cooperative Finance Association (*Jikyoku Kyōdō Yūshi Dan* 時局共同融資団).⁸⁶ Already in May that year the National Financial Control Association had been set up. More guidance was being provided. Less scope for independence or exercise of discretion was left.

Writing of the lending business of their bank after 8 December 1941, Sanwa historians take their usual accounting approach, tracking the movements of four categories of loans at intervals. They compare Sanwa’s balance sheet figures for loans on bills (short term, typically unsecured), overdraft facilities extended to customers, loans on deeds (long term, sometimes collateralized), and bills discounted with the totals for the Big Six banks and all ordinary banks. They describe the furtherance of the process of concentration of credit on war-related manufacturing industries. They do not disclose a single customer’s name or provide specifics of the purpose of any individual loan transaction.⁸⁷ Still, what they do choose to reveal provides some insight into the changes wrought by war at their bank and elsewhere.

INCREASES IN LOANS, BY TYPE, 1941–1945

(millions of yen)

		12/31/41		3/31/45		CAGR ¹	9/30/45		AGR ²
		Balance	Pct	Balance	Pct		Balance	Pct	
	Sanwa	1,666	100.0%	5,445	100.0%	44.0%	6,793	100.0%	55.6%
TOTAL	Big Six	9,141	100.0%	32,493	100.0%	47.7%	49,458	100.0%	131.7%
	All Ordinary Banks	15,143	100.0%	40,004	100.0%	34.8%	60,059	100.0%	125.4%
	Sanwa	1,164	69.9%	3,970	72.9%	45.9%	5,884	86.6%	119.7%
Loans on	Big Six	7,312	80.0%	24,652	75.9%	45.3%	44,066	89.1%	219.5%
bills	All Ordinary Banks	11,157	73.7%	30,605	76.5%	36.4%	53,468	89.0%	205.2%
	Sanwa	223	13.4%	620	11.4%	37.0%	592	8.7%	-8.8%
Overdraft	Big Six	836	9.1%	2,520	7.8%	40.4%	2,273	4.6%	-18.6%
facilities	All Ordinary Banks	1,742	11.5%	3,007	7.5%	18.3%	2,756	4.6%	-16.0%
	Sanwa	38	2.3%	747	13.7%	150.0%	257	3.8%	NM
Loans on	Big Six	106	1.2%	3,868	11.9%	202.5%	2,097	4.2%	-70.6%
deeds	All Ordinary Banks	641	4.2%	5,467	13.7%	93.4%	3,500	5.8%	-59.0%
	Sanwa	241	14.5%	108	2.0%	-21.9%	60	0.9%	-69.1%
Bills	Big Six	887	9.7%	1,453	4.5%	16.4%	1,022	2.1%	-50.5%
discounted	All Ordinary Banks	1,603	10.6%	925	2.3%	-15.6%	335	0.6%	NM

¹Compound annual growth rate, 12/31/41 through 3/31/45.

²Annualized rate of change, 3/3/45 through 9/30/45. NM indicates that the annualized rate of decline was greater than 100.0%.

Source: Data are excerpted from *Sanwa Ginkō shi*, p. 150. "Big Six" figures are for five banks from 4/1/43, following the Mitsui-Dai-Ichi merger into Teikoku.

Until the last phase of the war, Sumitomo Bank had an aggregate limit on loans to affiliated companies. This was not set down in writing, but house historians discern it in the pattern of the bank's credit commitments. They believe there was an agreement between the Honsha and the highest officers of the bank, grounded on the conviction of Sumitomo Kichizaemon and others that it would have been improper to take deposits from ordinary people and put them to uses that were primarily to Sumitomo's own advantage. Lending

SUMITOMO BANK LOANS TO AFFILIATED COMPANIES, As of 31 August 1945

(millions of yen)

<u>Borrower</u>	<u>Amount</u>	<u>Borrower</u>	<u>Amount</u>
Sumitomo Metal Industries	805.6	Sumitomo Kyodo Electric Power	6.2
Sumitomo Honsha	221.7	Sumitomo Land and Engineering	1.6
Sumitomo Communications Industries	162.9	Subtotal	1,678.8
Sumitomo Electric Industries	153.2	Sumitomo Processing Industries	22.5
Sumitomo Chemical Co.	148.3	Nippon Plate Glass	9.4
Sumitomo Mining	121.8	Total Sumitomo-Affiliated Loans	1,710.8
Sumitomo Aluminum Refining	33.3	All Domestic Loans	6,891.0
Sumitomo Machinery	24.2	Sumitomo-Affil. / All Domestic Loans	24.8%

Source: Sumitomo Ginkō 1979, p. 365.

heavily to affiliated companies would have given the appearance of using other people's money as, effectively, Sumitomo's own. In practice, therefore, the bank restricted total loans to Sumitomo companies to 10% of total deposits, and within the overall limit, the bank set

borrowing sublimits for individual companies. Actual loans to affiliates outstanding at year-end averaged considerably less than 10% until 1942—from 1932 through 1936, 2.0%, from 1937 through 1941, 6.2%. In 1942 loans to Sumitomo companies reached 10.0% of total deposits, and the next year, 11.3%.⁸⁸

Fuji historians record that their bank altered its organization and its credit decision making to contribute to the war effort. And they do not avoid preserving words of their chief executive in May 1943 that justify the change in credit policy and betray no regrets. The bank placed a new Loan Section within the Loan Department in August 1942, and charged it with promoting financing activity directed at “industries critical to the times” (*jikyoku sangyō* 時局産業). In March the next year, with the military situation turning against Japan, the government designated iron and steel, coal, light metals, shipping, and aircraft as the five especially important industries, and directed that resources be concentrated on increasing their productivity. Three months later the government released a Plan for Full Provisioning of Companies Engaged in Strengthening War Potential, providing even stronger state guidance over the employment of financial resources. In July 1943 the Law on Disposition of Funding for Full Provisioning of Companies went into effect, instituting tighter controls to harness whatever buying power might not already be under state control and to prevent funds from being put to use for anything but war production. The government was empowered, when it was regarded as necessary, to order the banks to provide matched loans (*miai yūshi*) to certain factories and facilities. “For our bank’s part,” the Fuji historians write, “we worked even harder to expand our transactions with the especially important industries.” Speaking in May 1943, President Sonobe Sen 園部潜 urged branch general managers to do more, and lamented that Yasuda was a laggard in its peer group: “Our bank long has had close relationships with companies in the commercial sector and the light industry sector, and there are areas in which we have not been a follower to anyone. In the heavy industry sector that is currently being emphasized and expanded rapidly, however, we must frankly acknowledge that we are regretfully a little behind the other great banks.”⁸⁹

In December 1943, the Law on War Supply Companies was implemented. It designated manufacturers of ordnance, aircraft, ships, and other important armaments and supplies as War Supply Companies, and imposed a degree of oversight that was tantamount to state management. To ensure sufficient financing for the operation of these firms, a System of Designated Financial Institutions for War Supply Lending was put in place. Based on the pattern of business of the last five years, the government chose certain banks to provide funds and services to certain companies. In instances when more funds were required than could be supplied by the lead bank (or banks), the system ordered that other banks must join in financing groups. Yasuda eventually was assigned to be a lead bank for 105 of the more than 600 War Supply Companies. By 31 January 1945, Yasuda’s aggregate loans to such companies came to ¥1.5 billion, and the bank had booked an additional ¥500 million in loans to War Supply Companies for which it was not the primary bank but merely a member of compulsory syndicated financings. The total represented thirty percent of all the bank’s loans outstanding at that time. All financial institutions together had ¥19.8 billion in loans to

War Supply Companies, about a third of that on the books of The Industrial Bank of Japan. Teikoku, Mitsubishi, Sumitomo, and Sanwa as a group accounted for ¥8.8 billion.⁹⁰ In what turned out to be the last phase of the war, in 1945, the major banks became the principal vehicle for financing companies producing war supplies. At this point, a majority of the funds went not into capital spending for expansion, but for working capital. In the period 1 April–30 September that year, all of Japan's ordinary banks laid out new loans totaling ¥20 billion, more than twice the ¥9.5 billion of the prior semiannual period. About 85 percent of the increase in the six months to 30 September was accounted for by the five largest banks.⁹¹

Investments in securities

National bond issuance from 1942 through August 1945 came to ¥79.6 billion. One of the central problems of wartime fiscal and financial policy was how to facilitate the absorption of this debt by the market. The Bank of Japan underwrote 70%, or ¥55.8 billion, of the total, in the full expectation that it would be able to sell most of that amount to private sector financial institutions. In May 1942, banks lost their discretionary power to decide how much to invest in government bonds; the National Financial Control Association demanded that banks put the equivalent of 60% of all new deposits into national bonds. As noted above, ordinary banks succeeded in drawing sizable new deposits, in some measure because they began to offer accounts for small savers. They applied the designated proportion of these funds to investments in national bonds.⁹²

With its gigantic deposit base, Yasuda was able to absorb a considerable amount of government bonds. National debt issues in the bank's portfolio totaled ¥600 million, or 25% of deposits, in December 1945; by 30 September 1944, the figures were ¥2.1 billion and 30% of deposits. After this things deteriorated for Yasuda and also the other large banks, and they had to rely on borrowings from BOJ, rather than new deposits, to fund their financing of massive amounts for the war.⁹³

Consolidation in the Banking Industry

Focusing first on small, poorly capitalized banks that had encountered great difficulty in the 1920s, the Ministry of Finance had advocated a policy of bank amalgamations as early as 1928, when a revised banking law was promulgated. In a Diet session of 1936, Minister of Finance Baba Eiichi 馬場鐵一 spoke up for reducing the number of banks to one or two per prefecture. The proponents of consolidation believed that the financial needs of the country would be best served by a system with fewer, stronger banks. By 1942, this thinking had been applied even to the biggest banks. Many agreed that mergers among the large city banks were necessary in order to fund the war production effort. The Dai-Ichi history observes that this reveals the spirit of sacrifice that prevailed at the time—anything for the sake of pursuing the war—and the power of the state.⁹⁴ The diminishing number of private sector banks reflects both official encouragement and the purely economic exigencies of wartime: in 1937, there were 377 ordinary banks; in 1940, 286; in 1943, 101; and in 1945, only 61.⁹⁵

In May 1942, the Financial Industry Adjustment Law gave the government the power to order banks to merge. With the prospect of being forced into a combination not of their

own choosing, senior managers of top banks began thinking seriously about which institutions might be compatible. They knew that if they did not act, they might be acted upon by the authorities. Contextualizing more than the house historians, Asakura makes clear that although the state may not have directed the details of the mergers of Mitsui and Dai-Ichi, Mitsubishi and Dai-Hyaku, or Yasuda and Chūya, there was pressure from above to consolidate. Yūki Toyotarō, governor of the Bank of Japan and by virtue of that office head of the National Financial Control Association (Zenkoku Kin'yū Tōsei Kai 全国金融統制会), was a pivotal figure. When at a late November meeting of the ordinary banks a merger of Fifteenth Bank and Dai-Hyaku 第百 Bank was put on the table for consideration, he quickly initiated informal discussions between Mitsui and Dai-Ichi, and between Mitsubishi and Dai-Hyaku. Things moved swiftly, and within a week the two deals were done.

The notion of a union had occurred to Mitsui management before 1942. Mandai Junshirō 万代順四郎, who had been promoted from managing director to chairman of Mitsui Bank on 10 February 1937, approached Dai-Ichi Bank president Akashi Teruo and proposed a merger. Mandai went through the powerful Yūki, but after a couple of weeks of deliberation, Dai-Ichi management rejected the proposal. Privately Akashi confided to Mandai that he himself favored combining the two banks, and that he wanted to keep the idea in mind. The topic, however, remained off the table for nearly six years. Merger discussions revived when the Mitsui chairman called at the Bank of Japan on 17 December 1942, to convey his opinion of the suggested merger of the Dai-Hyaku and Shōwa banks.⁹⁶ Mandai suggested to Yūki that what was really needed was a merger of big banks, and he named Mitsui and Dai-Ichi as candidates. For Mitsui, a major attraction was that Dai-Ichi Bank was, as Mitsui historians describe it, “an excellent bank that was not [part of] a so-called *zaibatsu*.”⁹⁷ Meetings with Dai-Ichi executives were quickly arranged, and by 25 December, the two sides agreed on a merger of equals, with a new name and with capital of ¥200 million, effective 31 March 1943. Mandai and Akashi were charged with working out, in Yūki’s presence, details of Mitsui family share ownership and matters related to financing of Mitsui-related companies. Later it was determined that Dai-Ichi’s Head Office would become the headquarters of the new institution, and that Akashi would serve as chairman and Mandai as president.

The agreement was announced on 28 December. The document released to the public is a prime example of the patriotic orthodoxy that prevailed in Japan at the time, justifying the pooling of the two big banks’ resources in the context of the need to contribute to “certain victory in the Greater East Asia War and the achievement of the great work of making Asia prosperous . . . at a time when the nation faces an unprecedented emergency and we must work together with all our strength, one hundred million people of one mind.” Dissolving themselves as separate entities, Dai-Ichi and Mitsui would strive to “serve the nation in finance” (*kin'yū hōkoku* 金融報国) as a new bank in which they joined on equal terms. Mitsui historians quote the full text; they offer no exegetical comments. When Akashi and Mandai sealed the deal formally by signing a contract on 11 January 1943, article 2 specified the name of the new bank. It would be the Teikoku (Imperial) Bank 帝国銀行.⁹⁸

At the ceremony in late March that inaugurated the new corporation's operation, Chairman Akashi delivered a speech in which he pronounced the three fundamental principles of the Teikoku Bank.⁹⁹ These are included, verbatim, in the Mitsui Bank's eighty-year history. Again the compilers refrain from comment, instead letting the record speak for itself. "(1) Banks are the nucleus of the system of credit, and in view of the fact that our institution exists for the national common well-being, we seek to contribute to the properly sound growth of the financial industry segment of the economy by fair and honest management of our business. (2) Holding as our ideal the elevation and strengthening of morality in the world of economic affairs, we seek to realize fully the spirit of harmony and cooperation. (3) Conforming to the goals of the state, in the present crisis, we will devote all our efforts to increasing the savings of all levels of the Japanese people, to absorbing the national debt, and to supplying funds for the expansion of production. We seek to carry on our business with enthusiasm that conveys our passion for the brave fighting and certain victory in the World War."¹⁰⁰

In the event, Mitsui historians observe, it was difficult to unify two companies with different traditions, structures, personnel systems, and sets of internal rules. The problems of integrating staffs were the most demanding. The process did not go forward as quickly as the top managers had hoped.¹⁰¹ Tashiro reveals—as Mitsui historians do not, in their account of the merger—a distinct lack of enthusiasm on the part of two former Dai-Ichi presidents. Both agreed to the proposal to join their bank with Mitsui, but they expressed their acquiescence in tepid terms. Sasaki Yūnosuke 佐々木勇之助, Shibusawa Eiichi's 澁澤榮一 right-hand man and successor as president, declared, "It's unavoidable." Ishii Kengo 石井健吾 stated simply, "It's the times."¹⁰² The misgivings of the Dai-Ichi elders may have been widely shared throughout the new Teikoku Bank, for this corporate marriage did not long survive the war. In 1948, the partners demerged.

Dai-Ichi historian Tashiro articulates that bank's understanding of the meaning of the short-lived merger: "The significance of the establishment of Teikoku Bank was in our cooperation, as a big bank, with the achievement of the objectives of the war."¹⁰³ Mitsui had a different view. In his 1976 authorized hundred-year history of Mitsui Bank, Asakura Kōkichi 朝倉孝吉 characterized the merger that created Teikoku Bank as "the biggest event in the hundred-year history of this bank."¹⁰⁴ He quotes the Ministry of Finance banking bureau chief of the time (later governor of the Bank of Japan), Yamagiwa Masamichi 山際正道, on the meaning of the amalgamation: "It is a great transformation to take a bank that a so-called *zaibatsu* has operated as one wing of its operating companies and turn it into an institution purely in public service to the nation, with no corporate relationship to the so-called *zaibatsu*. Further, this epoch-making change was not done at the direct urging or order of the government or other authorities. The bank managers themselves recognized the needs of the nation, and they took a long view of the path that financial institutions will have to progress along in the future. The major significance is in the fact that they resolutely carried out this great action of their own volition."¹⁰⁵

Mitsubishi's account of its merger with Dai-Hyaku suggests that the banks were extremely capable when it came to rationalizing the amalgamation, but they acted so hastily

as to make it doubtful that they were really acting of their own volition. After explaining in general terms why mergers of big banks had come to seem desirable, the historians say, “In the circumstances we have just outlined, and given that there were also the intentions of the authorities regarding bank mergers to consider, in December 1942, our bank, through the good offices of National Financial Control Association Chairman Yūki, decided on a merger with Dai-Hyaku Bank.” This makes it sound as if there were no extensive preparatory discussions between the two principal parties involved—at least it appears that very little time was given to due diligence examination of each other’s condition. Once the consolidation had been agreed upon, however, Mitsubishi and Dai-Hyaku published a joint announcement that made clear that the needs of the state in wartime were driving this deal. The Mitsubishi history quotes full texts of this and a Statement of Reasons. Both explained that the objective was to facilitate the funding of the state in its moment of emergency. The Statement spoke of attaining state objectives; the announcement spoke of achieving the mission of the state. Both said that the product of their combination would be “a pure national communal institution” (*junzen taru kokka kōkyō no kikan* 純然タル国家公共ノ機関).¹⁰⁶

The Teikoku deal had been a union of equals, with both parties agreeing to dissolve and form a new entity. The Mitsubishi-Dai-Hyaku merger was structured as the absorption of one bank by another, following an exchange of nine Mitsubishi shares for every ten Dai-Hyaku shares. Mitsubishi Chairman Katō told employees that the two partners in the deal were actually on the same footing, and that it had been decided to have Mitsubishi absorb Dai-Hyaku only because that simplified the procedure. But the Mitsubishi name was the one that survived, and it was Katō who became president, when the post-merger institution opened for business on 1 April 1943.¹⁰⁷ Dai-Hyaku, the seventh-largest of the ordinary banks, brought a larger branch network and more employees than Mitsubishi to the new bank.

Three days after the Mitsui-Dai-Ichi and Mitsubishi-Dai-Hyaku mergers were agreed upon, Yasuda announced it would take over Nippon Chūya Bank 日本昼夜銀行. Likely Yasuda knew the smaller bank very well, and had less reason to do a lot of study of its condition and performance; Nippon Chūya had been part of the Yasuda affiliate network for over a decade, and a Yasuda family member was its president. This deal also was heralded in highly patriotic terms, and a bank spokesman chose the same phrase as Mitsubishi executives, “a pure national communal institution,” to refer to the post-merger entity.¹⁰⁸ Banking industry consolidation continued in 1944. On 1 August, Yasuda combined with Shōwa Bank and the Fifteenth Bank (the “Peers” bank) merged into Teikoku Bank. Later that year, Yasuda absorbed the (new) Third Bank. Fuji historians point out that the fortunes of the Shōwa Bank, which had been created to take over certain assets and liabilities of Ōmi Bank and other institutions that had gone under in the financial panic of 1927, followed the course of the small commercial and manufacturing businesses that made up its customer base. At the end of 1942, Shōwa Bank finally managed to settle its “special” borrowings (*tokuyū* 特融) from the Bank of Japan, which at their maximum had reached ¥100 million. Early the next year, Yasuda Hajime’s 安田一 father-in-law, who was president of the Yokohama Specie Bank, suggested to him that Shōwa should be taken under Yasuda Bank’s wing. Not surprisingly, this led to merger the following year.¹⁰⁹

Profitability

Soundness, service, and market share are all examined repeatedly and at length in the big Japanese banks' company histories. There is strikingly little discussion of profitability. American banks may not publish corporate histories, but they do release quarterly and annual reports, and in those, profits are the most important topic.¹¹⁰ This is because shareholders and investors are the primary audience, and the banks want to convince this audience that the banks' profitability is benefiting, or could benefit, the readers. A different sensibility is at work in the Japanese bank histories. These institutions are not hesitant about trumpeting their successes in satisfying customers and serving social needs. In their own annual reports in recent years, the same banks and their successors emphasize profits and losses. Treating the prewar years when share ownership was not widespread and resentment of the *zaibatsu* was common, however, the big Japanese banks tend to downplay their accomplishments in producing wealth for their shareholders. In the few passages of the bank histories in which the writers do talk about profits, the explanations are macroeconomic. The skills and strategies of the senior managers are not analyzed in the context of gains and losses, nor is any individual executive quoted on the desirability of making money or on top management's satisfaction or dissatisfaction with profitability.

Here is a quick survey of what the corporate historians tell us, supplemented by some observations made on the basis of data that they present in tables in appendices but do not remark on in their texts.

Tashiro touches very briefly on profits in the body of the narrative along with deposits, loans, and investments in securities, in the Dai-Ichi Bank history.¹¹¹ Following the Manchurian Incident, initially, profitability improved. Annual return on assets ratcheted up steadily for about three years, from 0.71% in 1931 to 0.97% in 1934.¹¹² In 1935, earnings declined by more than 8% from 1934, and return on average assets fell to 0.82%; then profits and return on assets moved up again, reaching 0.88% for the full year 1937, half of which was after fighting began at Marco Polo Bridge. From the outbreak of the China war, Dai-Ichi continued to make profits, but at a lower and steadily deteriorating level. In the second half of 1937, net income of ¥5.4 million represented a return on assets of 0.43%, which happened to equal the average semiannual level of the period from July 1931 through June 1937. In every subsequent semiannual reporting period through the end of 1941, return on assets declined. From the second half of 1937 through the first half of 1941, average return on assets fell to 0.33%. Between Pearl Harbor and the consummation of the merger into Teikoku Bank at the end of March 1943, profitability slipped further, to 0.20% per semiannual period, on average, though there was fluctuation. Teikoku Bank produced an average return on assets of 0.18% per half in the last two years of the war (actually, the two years to 30 September 1945), a period during which total assets were growing at a 71.4% compound annual rate.

Mitsubishi Bank's historians belong to the camp that omits talk about earnings from the body of their text. They do include tables of profits and losses in an appendix. Their bank sustained a loss in the second half and full year of 1931, then enjoyed several highly rewarding periods through the time war broke out in China. Annual average return on total assets ex-

ceeded 1.00% for six consecutive years through 1937, in fact, and though returns were gradually eroding in the last three of those years, they averaged 1.22% over this period. Mitsubishi's net income was remarkably stable in the years from 1937 through 1942, in nominal terms, fluctuating between ¥5.2 million and ¥6.0 million in each of the twelve semiannual periods. In 1943 and 1944, net earnings of ¥10.0 million to ¥11.8 million per period, unadjusted for inflation, were nearly double what had been normal in the six previous years. The year of surrender was a disaster in financial terms as in virtually every other way. A profit of ¥3.0 million was posted for the first six months, down 73.5% from the same half of 1944, and a net loss of ¥4.5 million was recorded for the second half of 1945.¹¹³ The trend in Mitsubishi's performance can be grasped by looking at average return on total assets in the phases of the war years: it was 0.49% per half-year from July 1931 through June 1937; it declined to 0.39% from July 1937 through June 1941; it fell further to 0.25% from July 1941 through March 1943; and it plunged to 0.12% from April 1943 through September 1945.

Mitsui's scribes, in the eighty-eight pages of the bank's eighty-year history devoted to business results, focus exclusively on balance sheet issues. Nor does Asakura mention profits and losses in his short hundred-year history.¹¹⁴ They explain the dynamics of deposit generation, loan business, securities portfolio management, and foreign exchange business, but information on revenue and earnings is relegated to the appendices without comment. The data reveal that Mitsui Bank, also, made money for its shareholders. In every half from 1932 through 1942, the bank had a net profit. In the six years ended 30 June 1937, average semiannual net profit of 3.5 million represented an annualized average return on total assets of 0.72%. Assets grew at a compound annual rate of 15.7% during the Sino-Japanese War (actually, from 30 June 1937 to 30 June 1941), but profits did not keep pace, averaging an annualized 0.70% return on average total assets. The Pacific War years brought wild gyrations in semiannual performance. These had little to do with the merger that formed Teikoku Bank. Mitsui's average return on assets fell to 0.32%, annualized, between 30 June 1941, and the last reporting date before the amalgamation with Dai-Ichi; assets grew meanwhile at an annual rate of 14.9%. The impact of war on profitability can be seen most clearly in the figures for annual return on average assets of Mitsui Bank and Teikoku Bank: following a loss in 1931, the bank earned 1.37% in 1932, then saw that figure decline steadily to 0.46% in 1943 before ticking back up to 0.48% in 1944.¹¹⁵

Sanwa's historians provide more information about profits in the body of their work than any other bank's writers, but characteristically they content themselves with explanations of the shifting mix of business.¹¹⁶ There are no identifications of customer relationships, and no references to individual managers. Sanwa's historians note with pride that in the early days after Kōnoike, Yamaguchi, and 34th joined into one, the bank's asset allocation strategy had emphasized securities investment, and consequently "we were able to achieve results that generally were quite consistent from period to period." They also refer approvingly, but unfortunately not specifically, to "rationalization of management" practices followed in the early years after the merger. Sanwa was big, and it did report net profits in every semiannual period from its foundation through the end of the war. But in actuality its returns on assets were the

least impressive of the big Japanese banks, and its best period was its second of operation, the first half of 1934, when it earned 0.36% on average total assets. From that point, earnings as a percent of total assets went steadily downhill through the end of the Pacific War. For purposes of comparison, here are average returns for Sanwa in the phases of Japan's long wartime: from July 1933 through June 1937, 0.34%; from July 1937 through June 1941, 0.24%; from July 1941 through March 1943, 0.17%; and from April 1943 through September 1945, 0.10%.

Sumitomo Bank historians give more attention to market share, and to how balance sheet changes reflect movements in the economy and government fiscal policy, than to earnings, but they do discuss profits in the body of their narrative.¹¹⁷ After posting a net loss in the last half of 1931, the bank managed to report profits in every semiannual period through the end of the Pacific War. Performance improved dramatically in 1932 over 1931, and it continued to get better each year through 1934: return on average total assets reached 1.35% in the latter year, having been just 0.16% in 1931. Rising profits are attributed by bank historians primarily to sharply higher fee income from securities-related business. The recovering economy stimulated a boom in the bond market in these years. From 1935, Sumitomo's profitability began to decline. Net income ranged between ¥4.9 million and ¥6.4 million per half from 1937 through 1941, despite the fact that Sumitomo was writing off certain assets and adding to internal reserves in every period. "Earnings followed a stable trend . . . because they were supported by a considerable increase in both deposits and loans, despite the low interest rates and a rise in expenditures." As a percent of average total assets, however, earnings were shrinking. Nominal profits continued to be fairly stable for over a year after the nation launched the Pacific War, but they became volatile after 31 March 1943, fluctuating between ¥9.0 million and ¥1.1 million. The trend can be seen in a few averages: Sumitomo's average return on total assets was 0.47% per semiannual period from July 1931 through June 1937; it was 0.35% from July 1937 through June 1941; 0.21% from July 1941 through March 1943; and 0.10% from April 1943 through September 1945.

Yasuda Bank profits are not discussed in *Fuji Ginkō no 100-nen* 富士銀行の百年, and there are no tables of historical balance sheets and income statements in the appendix. For numbers that similar to those in the other banks' histories, one has to go to the anniversary volume the bank put out in 1940, *Yasuda Ginkō 60-nen shi* 安田銀行六十年史. House historians abstain from comment about earnings in the narrative part of this book, but in the appendix they provide some information on profits that enables us to see trends, though it cannot be compared exactly to the net profit data for each period disclosed by the other banks.¹¹⁸ We see that Yasuda's profit, which had exceeded ¥10 million in all but one of the semiannual reporting periods between the great merger of 1923 and the end of 1929, averaged ¥9.2 million per half between 1930 and 1939. The lowest half was the July-December 1932 period, when earnings were ¥8.3 million, and the highest was the July-December 1939 period, when net came to ¥11.2 million.

None of the great private sector banks was driven into insolvency by the extreme stress of war. They were not, however, in good financial condition on 15 August 1945. Profitability had diminished to practically nothing by the time of surrender, though with the single ex-

ception of Mitsui in the semiannual period just prior to its merger into Teikoku Bank, no one actually reported a loss between January 1932 and the second half of fiscal 1945 (which began 1 October). With assets ballooning in the Pacific War years, and with no new equity issued during those years, shrinking profits meant that capitalization ratios contracted also. Borrowing from the Bank of Japan, rather than internally generated profits, had supported them and enabled them to stay in business in the final phase of the war.

Evaluating the Explanation “Zensho Suru Hoka Nai”

There are differences among the six big banks in the approach they take to history, especially in the degree to which they refer to individual executives and their statements as expressions of the corporate will or corporate policy. Sanwa practically leaves individuals out, while Mitsui and Yasuda (Fuji) quote extensively and identify bank actions with the executives who made decisions and explained their reasoning. The other banks fall between these extremes. Where there is effective unanimity among the bank historians is in keeping the focus on finance and the economy, and taking domestic and international political events as conditioning factors for banking business but not as a focus in and of themselves. This is done in a consistently commonplace tone.

The writers (we can think of them as authorized biographers) who recorded these banks’ (artificial persons’) stories owned up to collaboration with government policy. Their selection of quotations makes it clear that many top executives were highly ambivalent about going along, yet the historians did not leave out statements of corporate leaders who were enthusiastic patriots, ready to turn their companies into agents of the public wellbeing. As an exculpatory or anyway mitigating factor in explaining their companies’ abetment of government war policies, again and again the bank historians cite the system of economic controls. All their accounts show how bank managers’ discretionary power to decide how to employ the resources of their institutions—which were, after all, private sector companies—was gradually but steadily undermined. The historians present considerable circumstantial evidence to establish that deposit generation and asset allocation policies followed, rather than anticipated, the progression of the control system.¹¹⁹ Plainly all the bank historians accepted, at least for purposes of writing these corporate memoirs, the rationale that their banks had no practical alternative to making the best of undesirable situations (*zensho suru hoka nai*).

In the matter of naming clients’ names and specifying purposes of loan transactions, the reticence of most of the Japanese bank historians contrasts with the frank disclosure made by the writers of a great recent example of corporate history, *The Deutsche Bank, 1870–1995*.¹²⁰ Harold James, in the chapter covering the period examined in this paper, discusses how “Aryanization” came to be implemented in the lending decisions of the largest and most important German bank, justifying extension of credit to those who bought businesses that Jews were forced to sell (pp. 304–306). He tells how Deutsche Bank executives were involved in the management of Lufthansa, BMW (Bayerische Motoren Werke), and Daimler-Benz at a time when the efforts of those firms were being turned to military buildup (pp. 313–315). He names a lot of individuals and firms that eagerly pursued the opportunities, and sometimes

shared the goals, of the National Socialist Party. He directly treats the subject of colonization. He explicitly discusses moral issues.¹²¹

One noted Japanese historian who wrote on the issue of war responsibility, Ienaga Saburō 家永三郎, acknowledged that he accepted what he was told about the war with China, while it was going on. He had, he said, no sources of information that would have enabled him to doubt the version presented to the public. Only later, reading reports about the war crimes trials held by the Allies after Japan's defeat, did he learn about the scheming of the Japanese army, and that there had been a massacre in Nanjing. In his ignorance, lucky to have been a noncombatant and not a victim of American bombing, he admits to having been apolitical during wartime.¹²² If Ienaga, who was almost certainly as critical of the Japanese state and Japanese wartime behavior as anyone, could explain his own posture as the product of ignorance, might others be justified in claiming that ignorance is an excuse? Ienaga of course could not be charged with killing anyone, or making weapons, or assisting the war effort in any meaningful way. But how about other civilians, such as bankers, who went along with the system? They too lacked information that might have enabled them to evaluate the situation differently. In some of the six big bank histories, the writers make it clear that they think their predecessors extended credit in the absence of information about the purpose, owing to classification of certain information as military secrets.

Is one absolved of responsibility if one has been put in a position in which others—or a financial control system established by others—make all the critical decisions? This question, if one follows it up the chain of decision-making, leads eventually to the flaw in the whole system that Maruyama Masao 丸山真男 called “the pluralism and irresponsibility of wartime power.”¹²³ There is a strain in the accounts published by the six big banks that might be understood as a defense against moral criticism: we did as we did because the system would not allow us to do otherwise. This, however, is never raised in the context of an explicit review of the morality of bank actions during the war.

The creative process of doing the corporate histories examined in this paper involved the usual research, evaluation and selection of evidence, interpretation, and composition, and then something else. The extra dimension has to do with the relationship between history and corporate identity. When the subject is a going concern—in all these cases, a vigorous (if artificial) person—authorial decisions corporate historians make could have practical consequences. Mention of a relationship or transaction in the past, for example, could affect a present or future business relationship. Even more importantly, perhaps, what company historians set down, by virtue of being written and published, defines bank tradition and provides models of acumen and sacrifice of previous generations of leaders and employees. What Thomas P. Rohlen observed of a regional bank several years ago is true of the largest banks as well, and is articulated from time to time by executives in meetings and company publications: “According to the ideology, the present membership is duty bound to repay their debt to the past by working to advance the bank for the benefit of future generations. Conceptually, the present generation stands in an intermediate position between the past and the future bank. This relationship, one that stretches over time and innerlocks different

generations, is fundamental to the bank's sense of history, institutional continuity, and social morality."¹²⁴

As Mitsui's president said when his bank's eighty-year history was completed, "Our intention in publishing a history of the bank is to distribute it to parties with whom we have relationships and to communicate the gist of our bank's story. We would like to make this serve as a commemorative message to those whose patronage we have enjoyed for many years. We also want to have it read widely by our bank's employees, and have them reflect deeply on the influence of our nation's fate since our bank was founded, on the support we have had from our customers, and on the efforts of previous generations of bank staff members. We hope this history will contribute to our devotion to our work in the future."¹²⁵

Fuji Bank historians wrote to their fellow employees, "This book is meant to be a guide to our conduct as we go into our second century, and at the same time, we hope that it may serve to help those with whom we have relationships, including our shareholders and customers, to understand the bank better."¹²⁶ A former Mitsubishi Bank chairman commented about the history his company published in 1954, "For bank employees, this book will be food for respectful thought about the zealous efforts of their corporate forebears to preserve the traditional Mitsubishi spirit and make our company's business prosper."¹²⁷

Statements such as these remind us that not only do company historians have the usual motivations, and the usual limitations, of autobiographers or authorized biographers, but also they write with an awareness that the corporate life goes on. They have a corporate purpose for the future as well as a desire to set down the record of the past as they experienced it, as seen by their lights. In this context authors of corporate histories are apt to hesitate about questioning the wisdom or morality of their predecessors' strategies and actions. To do so in their treatment of the war years might somehow convey a sense of shame or guilt, and that would be dysfunctional for the company. Employees almost surely will work harder today and tomorrow if they feel pride in their heritage. Clients almost surely will feel better if they feel they are dealing with a business with a distinguished background and contented employees.¹²⁸ Projecting a positive image is good for the health of the company, and it contributes to customer satisfaction. *Caveat lector*, then.

It is all too easy to condemn Big Six bankers for their compliance with Japanese wartime authorities, and to criticize the corporate historians for their acceptance of the explanation that the banks could not reasonably have done otherwise than to make the best of an unfortunate situation that was beyond their control. Later generations of bankers might have been inspired by stories of fierce resistance to the national mobilization policies and to state appropriation of practically all financial decision making power. Readers of the bank histories might have been stirred to achieve a higher awareness of moral issues, and of moral hazards in business situations, if the accounts in those books raised more doubts. But we would be ignoring some of the complexity of the human condition if we failed to see a certain dignity in the way the wartime bankers faced what they believed to be their social and economic duties and in the generally straightforward and unapologetic way the authors tell the banks' stories.

The exercise of reviewing Japanese banks' constructions of their experiences in wartime might be modestly useful in helping us to assess the interrelations of political, economic, and military institutions in that fateful age. Certainly it should be useful to the writers of the next histories of the corporate descendants of the Big Six banks. Future discourses on wartime actions and their consequences may offer harsher judgments than the accounts we have considered here. Then again, they may not. The concerns of future writers are unpredictable. Conceivably the next authors of Japanese bank histories will be so taxed by accounting for the corporate and industry restructuring of the 1990s and 2000s that they will choose to reduce their treatment of the 1930s and 1940s to a few paragraphs.¹²⁹ They may decide to introduce no complications about the morality of collaboration with an authoritarian and expansionist state. If, however, historians do reevaluate the big banks in wartime, they should give some thought to how confident they are of their own moral ground for judgment. Unquestionably there is room for criticism, but only the truly pure can claim authority to condemn out of hand what was, in essence, the very ordinariness of the ordinary banks.

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NOTES

¹ E.g., Lockwood 1954 (1968), Patrick 1967, Johnson 1982.

² Okazaki and Okuno-Fujiwara 1999, Fletcher 1989, Fletcher 1991 (2001), Matsuura 2002, Metzler 2002, Metzler 2006.

³ See, e.g., Yamazaki 1991, Imuta 1991, Teranishi 1995, and Teranishi 1999. Notably, although Teranishi 1999 cites Mitsui Ginkō 1957 twice and Imuta 1991 cites the history of the Industrial Bank of Japan, these recent scholars use Bank of Japan and Ministry of Finance statistics and reports extensively but make almost no use of the private sector banks' corporate histories.

⁴ Mitani 1980 (1998), Okazaki 1999, Imuta 2002. Imuta focuses on primarily on regional banks, as well as on changes in the financial system; see especially his chapter 4, "Ryōtaisen-kan ni okeru kin'yū kōzō no saihensei" 両大戦間における金融構造の再編成.

⁵ Ogura 1990.

⁶ The Big Six are here shown in English alphabetical order. The spelling of the name of the first institution on this list follows the official style, The Dai-Ichi Bank, Limited, with a hyphen and capital "I." See the articles of incorporation of August 1948, Article 1, *Daiichi Ginkō-shi* 1957, vol. 2, p. 472, and photographs of English-language materials used by the bank before the war, e.g., p. 233. Sumitomo Ginkō 1998, pp. 85–89, provides a succinct discussion of the adoption of the joint stock corporate (*kabushiki kaisha* 株式会社) form by Mitsui in 1909, Yasuda in 1912, and Sumitomo in 1913. Dai-Ichi converted to the joint stock form in 1896 (*Daiichi Ginkō-shi* 1957, vol. 1, p. 588–ff.), Mitsubishi converted to the joint stock form in 1919 (*Mitsubishi Ginkō shi* 1954 (1970), p. 145), and Sanwa was established as a joint stock company in 1933. Asset values are estimated on the basis of data on the Big

Six in Sumitomo Ginkō 1979, pp. 297, 310, 311, and all commercial (ordinary) banks in Goldsmith 1983, table 5–9, p. 122.

⁷ “Natural persons are such as the God of nature formed us; artificial are such as are created and devised by human laws for the purposes of society and government; which are called corporations or bodies politic.” Blackstone, *Commentaries*, I, i, 123 (1765), quoted in the entry for “corporation,” *Oxford English Dictionary*, 2nd ed. (Oxford: Clarendon Press, 1991).

⁸ See Asai 1996, pp. 367–382.

⁹ In the late 1990s, the issue of corporate sponsorship and impartial scholarship sparked a spirited debate in the pages of *The Times Literary Supplement*. See Pinto-Duschinsky 1998, and the responses by historians of Deutsche Bank (Avraham Barkai, Gerald L. Feldman, Lothar Gall, Harold James, and Jonathan Steinberg) and Volkswagen (Hans Mommsen) in letters to the editor, *TLS*, 6 November 1998.

¹⁰ Mitsui Ginkō 1957, p. 257. Characteristically, the corporate authors put quotation marks around the term *zaibatsu*. Writing for Mitsui twenty years later in *Nihon Keieishi Kenkyūjo* 1976, Asakura Kōkichi used the term without quotation marks.

¹¹ Sampling the texts of bankers and others who were invited to speak at the Tokyo Ginkō Kurabu, the Tokyo Ginkō Shūkaisho, and other bankers’ organizations, one discovers that their discourse was full of public spirit and concern for the welfare of both state and society. Texts of speeches were regularly printed in the *Ginkō tsūshinroku*. Marshall 1967 describes the thinking and rhetoric of business leaders in the prewar period, and in his chapter “The Japanese Business Elite and the Defense of Capitalism” (pp. 95–112) analyzes the response of top businessmen to anti-capitalist attacks. See especially Marshall’s passage on the eulogy of Dan Takuma, pp. 102–103.

¹² In the appendices of the works cited in these notes, we see that the capital (*shihonkin* 資本金) levels of the six big banks were as follows (in millions of yen, as of 31 December of all years except 1945, which is as of 30 September):

	<u>1931</u>	<u>1937</u>	<u>1941</u>	<u>1945</u>
Dai-Ichi	57.5	57.5	57.5	N/A
Mitsui	100.0	100.0	100.0	N/A
Teikoku	N/A	N/A	N/A	220.0
Mitsubishi	100.0	100.0	100.0	135.0
Sanwa	N/A	107.2	107.2	146.5
Sumitomo	70.0	70.0	70.0	73.7
Yasuda	150.0	150.0	N/A	N/A

¹³ *Daiichi Ginkō shi* 1957, vol. 2, pp. 172–173. Dai-Ichi engaged Tsuchiya Takao, emeritus professor of the University of Tokyo, Haiji Shizuo, lecturer of Hiroasaki University, and Tashiro Masao, associate professor of Hōsei University, to write the history of its first eighty years. Tsuchiya was author of the chapters on the prehistory of the bank and operations from its founding as the First National Bank (Dai-Ichi Kokuritsu Ginkō) in 1873 through the end of the Meiji period. Haiji wrote about the Taisho and early Showa periods, from 1912 through the reimposition of a prohibition on gold exports in 1931. Tashiro was responsible for the account of the war years, beginning with the Manchurian Incident, and the postwar period to the eightieth anniversary in 1953. The two volumes telling the Dai-Ichi story, 1,511 pages of text plus nearly 300 pages of appendices, are thus an authorized history by outsiders, rather than an “autobiography” by employees.

¹⁴ *Mitsubishi Ginkō shi* 1954 (1970), p. 231.

¹⁵ See the table of selected financial statistics of the Big Six banks and all 516 ordinary banks as of 31 December 1933, *Sanwa Ginkō shi* 1954, p. 52. Sanwa alone had deposits of over ¥1 billion. Only Sanwa and Yasuda had outstanding loans totaling more than ¥500 million, and in this category, also, Sanwa was slightly larger. In paid-in capital, Yasuda was ahead, with ¥92.8 million, some 28% more than Sanwa's ¥72.2 million; Mitsubishi was next with ¥69.0 million. Sanwa had almost twice as many offices as number two Yasuda and more than three times as many as third-place Sumitomo. Sanwa managers knew that they did not need all the three predecessor banks' locations; within a year they reduced the number of offices from 275 to 219. By the end of 1938 the bank operated 198 offices.

¹⁶ *Sanwa Ginkō shi* 1954, p. 66.

¹⁷ The Sanwa account seems overly credulous to observers of the corporate reorganizations that have followed mergers in the 1980s and 1990s. Restructuring and rationalization—almost invariably accompanied by reductions of staff—may proceed according to senior managers' plans, but whether they are achieved smoothly (*enkatsu ni tassei sareru* 円滑に達成される is the phrase chosen by the Sanwa writers) or not is a question on which top management and employees often differ. *Sanwa Ginkō shi* 1954, pp. 74–75.

¹⁸ *Fuji Ginkō* 1980, pp. 137–141.

¹⁹ *Ibid.*, p. 146. From the death of Yasuda Zenjirō in 1921 to the resignation of Yasuda Hajime in 1940, the deputy president was the chief operating officer, or the effective chief executive, at Yasuda Bank, while the presidency was held by a member of the Yasuda family. Mitsui Bank and Sumitomo Bank had similar organizational structures, though the titles used by their chief operating officers were different.

²⁰ *Ibid.*, p. 148.

²¹ *Ibid.*, p. 146.

²² *Ibid.*, p. 149.

²³ “Wall Street's Banks Kept to Hierarchy during 1998,” *The New York Times*, 1 January 1999, p. C1.

²⁴ All the banks' histories portray Takahashi as a sage minister, brilliant in his policies for restoring confidence, bringing Japan out of the recession, and standing up to the military and insisting on fiscal responsibility when lesser men would have caved in to their demands for huge increases in military spending. Takahashi was of course a martyr, having been assassinated by the young officers in the 26 February 1936, incident. None of the Big Six writers touches on the flaw in Takahashi's policy-making noted by G. C. Allen (who was on balance an admirer of the old minister): “Takahashi, for all his merits, can also be charged with a lack of political realism and foresight. He had cheerfully acquiesced for four years in a financial policy which made it possible for the militarists to pursue their ambitions.” Allen 1972, p. 137.

²⁵ *Daiichi Ginkō shi* 1957, vol. 2, pp. 172–173.

²⁶ *Ibid.*, p. 169.

²⁷ *Mitsubishi Ginkō shi* 1954 (1970), p. 232.

²⁸ *Ibid.*, pp. 232–233.

²⁹ *Mitsui Ginkō* 1957, pp. 422–423.

³⁰ *Ibid.*, pp. 264–265.

³¹ *Fuji Ginkō* 1980, p. 142. The new departments were named simply Business I and Business II (*dai-ichi gyōmu ka* 第一業務課 and *daini gyōmu ka* 第二業務課).

³² *Ibid.*, p. 143.

³³ *Ibid.*, p. 146.

³⁴ *Ibid.*, p. 158.

³⁵ *Ibid.*, pp. 155–156.

³⁶ Daiichi Ginkō shi 1957, vol. 2, p. 168, and appendix Table 1, selected balance sheet figures, 1927–1943. The percentages of loans to total assets—not calculated by Tashiro—are as of 31 December 1931 and 31 December 1935.

³⁷ Mitsubishi Ginkō shi 1954 (1970), pp. 233–234. The diction in this passage is neutral. “Colonization” (*takushoku*) appears in the name of what was officially styled, in English, the Oriental Development Co. (Tōyō Takushoku Kabushiki Kaisha 東洋拓殖株式会社). The writers’ phrase for referring generally to Japan’s economic endeavors in Manchuria is “Manshū keizai no hatten” 滿州經濟の發展, “the economic development of Manchuria.” Not only in the Mitsubishi history, but in the other bank narratives as well, with respect to Manchuria the words “colony” (*shokuminchi* 植民地) and “colonial” (or “the colonized,” *shokumin* 植民) are not to be found, nor is a label such as “puppet state” (*kairai kokka* 傀儡國家) attached to Manchukuo. The political status of Manchukuo is not discussed; it is implicitly accepted that Manchukuo was an independent state.

³⁸ *Mitsui Ginkō* 1957, p. 264.

³⁹ *Fuji Ginkō* 1980, p. 151.

⁴⁰ *Ibid.*, p. 157. Nihon Denki Kōgyō merged with Shōwa Hiryo in 1939 to form Shōwa Denkō. Asano group companies had been important customers since the early days of the bank, when Yasuda Zenjirō had given his support to Asano Sōichirō; Asano Shipbuilding merged with Nippon Kōkan in 1940.

⁴¹ *Ibid.*, p. 152–153.

⁴² For a good summary in English of wartime financial system control laws and regulations, see Teranishi 1999, pp. 71–74. The original Japanese designations of these regulations for which I give English translations are as follows: Emergency Funds Adjustment Law (10 September 1937), *rinji shikin chōsei hō* 臨時資金調整法; National Mobilization Law (1 April 1938), *kokka sōdōin hō* 國家總動員法; the Decree on Price Controls (18 October 1939), *kakaku-tō tōsei rei* 價格等統制令; and the Decree on Funds Management by Banks and Others (19 October 1940), *ginkō-tō shisan unjō rei* 銀行等資産運用令.

⁴³ *Fuji Ginkō* 1980, pp. 168–169.

⁴⁴ *Ibid.*, p. 170.

⁴⁵ *Mitsubishi Ginkō shi* 1954 (1970), pp. 249–250.

⁴⁶ *Ibid.*, p. 252.

⁴⁷ *Ibid.*, p. 252.

⁴⁸ Garon 2000 offers a perceptive analysis of wartime government-promoted savings campaigns, but does not consider the actions the banks took to encourage savings. In fact private-sector banks had been working hard to raise their levels of deposits at least since the 1920s, and they could take advantage of a propensity on the part of customers to save in order to provide for an uncertain future. In the promotion of savings, then, there was continuity with prewar practices that did not depend on government initiatives taken after 1937. As we have noted, the big banks became magnets for deposits when many small banks encountered difficulties in the 1920s, especially during the financial panic of 1927, as many savers switched their accounts to what they thought were safer and sounder institutions.

⁴⁹ *Sanwa Ginkō shi* 1954, p. 96. The writers remarked earlier on the government’s measures to mobilize the small savings of ordinary citizens. To raise the market’s capacity to absorb government debt, for instance, bonds in small denominations were offered to individual savers through post office windows. See *ibid.*, pp. 89–94.

⁵⁰ Fuji Ginkō 1980, p. 156.

⁵¹ About forty years earlier, Nakamigawa Hikojiro 中上川彦次郎, managing director of Mitsui Bank, had been loath even to take deposits, out of concern that in a panic depositors might run on the bank and try to withdraw more funds than the bank had in the vault. Going so far as to say, “Deposits are borrowings” (*yokin wa shakkin da* 預金は借金だ), he thought it unwise to put other people’s money at risk when they might on short notice, unpredictably, demand the money back. Other views prevailed, of course, and Mitsui did take deposits, and used the funds as a resource for building the bank’s asset portfolio. *Mitsui Ginkō* 1957, pp. 139–140.

⁵² Fuji Ginkō 1980, pp. 156–157.

⁵³ *Ibid.*, pp. 165–166.

⁵⁴ *Mitsubishi Ginkō shi* 1954 (1970), pp. 245–246. The Industrial Bank of Japan was established by its own law in 1902; it was not an ordinary bank. It was permitted to raise long-term funds by selling debt instruments, and it was charged with making credit available for capital spending (that is, for long-term purposes) for manufacturing industries, especially heavy manufacturing. In 1950, it changed its status to ordinary bank, and in 1952, it converted into a long-term credit bank.

⁵⁵ *Ibid.*, pp. 247–248.

⁵⁶ *Ibid.*, p. 253.

⁵⁷ *Ibid.*, pp. 279–280.

⁵⁸ *Ibid.*, pp. 253–256.

⁵⁹ The discussion of Nanjō and his initiatives comes in a section entitled “Trends of Mitsui-Affiliated Companies and the Demand for Funds,” in which the enterprises concerned are identified as *keiretsu shokigyō* 系列諸企業. *Mitsui Ginkō* 1957, pp. 271–272.

⁶⁰ *Ibid.*, p. 423.

⁶¹ *Ibid.*, pp. 423–424.

⁶² *Ibid.*, p. 424.

⁶³ *Ibid.*, p. 425.

⁶⁴ *Sanwa Ginkō shi* 1954, p. 95. Sanwa eventually remedied the problem of remoteness from Tokyo decision makers in the same way as Sumitomo, the other big Osaka bank. In November 1940, Sanwa set up a Tokyo Regional Headquarters (Tōkyō Honbu). *Ibid.*, p. 97.

⁶⁵ Sanwa’s historians place this effort in the context of the deposit raising campaign. Dealing with the managers and employees of war-related business organizations, and opening new offices, were good ways to obtain deposits needed to fund the bank’s activities in government bond buying and lending. *Ibid.*, pp. 97–98.

⁶⁶ *Ibid.*, p. 98.

⁶⁷ *Ibid.*, p. 99. Three times in three pages the writers characterize the bank’s attitude in pursuing war-related business as *sekkyokuteki* 積極的, aggressive or positive or, in the jargon of American business since the 1980s, pro-active. They justify the use of this modifier by describing changing patterns in the bank’s business. They might have made the description more vivid and forceful by quoting certain executives—historians of some other banks did. In the Sanwa history, there are fewer names of Sanwa bankers and fewer names of customers than in the other banks’ books.

⁶⁸ Sumitomo Ginkō 1979, pp. 307–308. Hitherto the bank—following the British commercial banking model rather than the German universal banking model—had generally avoided commitments to transactions in which the borrower intended to apply the loan proceeds to long-term purposes.

⁶⁹ *Ibid.*, p. 308. In the last sentence quoted, Okahashi was rather vague, and probably that was deliberate. It is pretty clear that he meant that he disapproved committing the bank's funds in situations in which repayment would depend upon exercise of a government guarantee, rather than on the borrower's own capacity to service debt. The word he used for the form of credit support offered by the government, by the way, was *hoshō* 補償 (compensation or indemnity), and not *hoshō* 保証 (guarantee or security).

⁷⁰ *Fuji Ginkō* 1980, p. 156.

⁷¹ *Ibid.*, pp. 186–187.

⁷² *Ibid.*, p. 188.

⁷³ *Mitsubishi Ginkō shi* 1954 (1970), pp. 280–281. Nenryō Kōgyō was a fuel development and production company. Other corporate debt in the bank's portfolio included Hitachi, Kawasaki Heavy Industries, and various Mitsubishi companies.

⁷⁴ *Fuji Ginkō* 1980, p. 179. As elsewhere, in speaking of acquiring government bonds, the managers used the word that is most literally translated as “digestion” or “absorption,” *shōka* 消化.

⁷⁵ In the *kaisha rieki haitō oyobi shikin yūzū rei*.

⁷⁶ *Fuji Ginkō* 1980, p. 170.

⁷⁷ *Sanwa Ginkō shi* 1954, pp. 124 and 131.

⁷⁸ *Fuji Ginkō* 1980, pp. 179–180.

⁷⁹ *Ibid.*, p. 183. It was Business I that published the newsletter.

⁸⁰ *Ibid.*, p. 154.

⁸¹ *Ibid.*, pp. 184–185.

⁸² At the time of its takeover by Teikoku, Fifteenth Bank had ¥458 million in loans (*Mitsui Ginkō* 1957, p. 426). That was just 4.4% of the total amount of the increase in Teikoku loans during the two-year period to 30 September 1945.

⁸³ *Mitsui Ginkō* 1957, pp. 427–428. Some of the firms continued in business as of 1957, when the Mitsui history was published. Others had disappeared. The openness of the Mitsui compilers contrasts with the reticence of other bank historians, who for the most part are grudging of information about specific borrowers' identities. Cf. the treatment of the Law on War Supply Companies in *Fuji Ginkō* 1980, pp. 190–192, and note Yasuda's loan growth rate in Mitsui Bank's table of comparative statistics.

⁸⁴ *Ibid.*, p. 429.

⁸⁵ *Mitsubishi Ginkō shi* 1954 (1970), p. 351–353. The staffer, Hayashida Toshiyoshi 林田敏義, recalls that in the last days of the war a soldier was posted in the bank to see that the needed funds were being disbursed to the war supply companies. “It was a time when everything was controlled, and in finance, as well, we were subject to various extremely strict controls. . . . Often there were meetings between government officials and civilians on the topic of war supply finance, and the authorities would explain the ways they were going to put controls into effect, and the banks would go along with the officials' explanations. . . . The bank had almost no room to make its own decisions to approve or reject loan applications. Things reached the point where we were under strict orders from the Ministry of Finance not to delay the timing of a loan in order to carry out a credit analysis.”

⁸⁶ *Fuji Ginkō* 1980, pp. 170–171. Fuji historians identify the minister as Ogura, but that is incorrect. Ogura Masatsune 小倉正恒 had served in that post under Konoe Fumimaro, but his tenure ended when Tōjō Hideki became prime minister. Ogura was a Sumitomo man, and his career and the treat-

ment of it in Sumitomo Ginkō 1979 are worthy of comment. Born in Kanazawa, he had been recruited by Sumitomo in 1899 after graduating from Tokyo Imperial University in law and serving a two-year stint in the Home Ministry. Over the next three decades a variety of assignments, including overseas study trips, familiarized him with the diverse interests of the firm, and in 1930 he was promoted to general director (chief executive) of Sumitomo Honsha, the holding company of the Sumitomo group. Three years later he was appointed by the emperor to the House of Peers. After nearly eleven years as general director, he left the Honsha to join the Konoe cabinet in April 1941 as minister without portfolio (*kokumu daijin*). He became minister of finance in the third Konoe cabinet, in July 1941. In 1942 (when the Fuji writers put him in the Ministry of Finance) he was serving as governor of the new Wartime Financial Bank (Senji Kin'yū Kinko 戦時金融金庫). Later he became the top economic adviser to Wang Jingwei's collaborationist Reorganized National Government of the Republic of China. Sumitomo Bank's historians remark on Ogura's departure from the top post in the Sumitomo holding company, but they say nothing at all about his subsequent career, or what, if anything, his connections might have meant to the bank or other Sumitomo firms. Sumitomo Ginkō 1979, p. 358, notes only that Ogura left the company to enter the Konoe cabinet. See the entry on Ogura in the *Gendai* volume of *Dai jinmei jiten* 1953. After the war, according to the same source, he was purged and devoted himself to the study of classical Chinese literature.

⁸⁷ *Sanwa Ginkō shi* 1954, pp. 149–152.

⁸⁸ See the table, Sumitomo Ginkō 1979, p. 362. Percentages for 1934 and 1935 are not available, and the average for the years between the Manchurian Incident and the Lugou Bridge Incident is based on 1932, 1933, and 1936. Sumitomo Bank historians avoid linking the word *zaibatsu* with the Sumitomo name except in their account of postwar Occupation policy. Other Sumitomo-owned or controlled firms are identified as “affiliated companies” or “affiliated enterprises,” terms regularly used by prewar Sumitomo executives. The main Sumitomo holding company was organized as a limited partnership, Sumitomo Gōshi Gaisha, from February 1921 through February 1937, and reorganized as a joint stock corporation, Kabushiki Kaisha Sumitomo Honsha, on 1 March 1937. It dissolved pursuant to an order from Supreme Commander for the Allied Powers in November 1945. The preferred terms for its subsidiaries and affiliates were *renkei gaisha* or *renkei jigyo*. See, for example, President Okahashi's speech to the bank's managers, November 1941, quoted in Sumitomo Ginkō 1979, pp. 364–365. Okahashi also referred to the other companies as “Sumitomo kakujigyo.” For discussions of developments involving Sumitomo-affiliated enterprises, see also *ibid.*, pp. 170–172 (Meiji period); pp. 242–246, (Taishō period); and pp. 355–366 (1932–1945). “The term *renkei gaisha* is unique to Sumitomo,” the bank's historians write. “It is applied to companies that were in a direct line” and were so designated by the Sumitomo Honsha (the central holding company), depending upon such things as the importance of the business and the percent of ownership interest held by the Honsha. *Ibid.*, p. 357.

⁸⁹ *Fuji Ginkō* 1980, pp. 188–190.

⁹⁰ *Ibid.*, pp. 190–192.

⁹¹ *Ibid.*, p. 213.

⁹² *Ibid.*, pp. 179–181.

⁹³ *Ibid.*, p. 185.

⁹⁴ *Daiichi Ginkō shi* 1957, vol. 2, p. 252.

⁹⁵ *Nihon Keieishi Kenkyūjo* 1976, pp. 175–177. These numbers of ordinary banks are as of 31 December of each year. Mitsubishi historians provide a nice précis of the history of the number of ordinary banks. Many small banks were established in late nineteenth century, and by the end of 1901 the number had

reached 1,867, the peak. Dissolutions and bankruptcies reduced that number over the next decade-and-a-half, then, in response to changes in the structure of the economy, increased demand for credit called for larger banking institutions, giving banks incentive to merge. In 1920, the government simplified the procedures that merging banks had to take. After the Great Kantō Earthquake of 1923, the government actively began to encourage bank mergers, and in the Banking Law of 1928, it raised the minimum capitalization standards, resulting in an acceleration of the process of consolidation (233 banks merged in 1928 alone). Until the late 1930s, the primary objectives of the government's consolidation policy were to protect depositors and to assist weak banks out of difficulty. As war dragged on, mobilization of an ever increasing volume of funds became the goal. Policymakers came to believe that mergers of large institutions were also necessary. *Mitsubishi Ginkō shi* 1954 (1970), pp. 301–302.

⁹⁶ As it turned out, the Dai-Hyaku Bank merged with Mitsubishi Bank in a transaction announced the same day as the Mitsui-Dai-Ichi merger, 28 December 1942. Shōwa Bank's branches were taken over by the enlarged Mitsubishi. The idea of a merger between Dai-Ichi and Mitsui first came up after the panic of 1890. Nakamigawa Hikojiro suggested it, but the opposition of Shibusawa Eiichi and Mitsui Hachiroemon, among others, killed the discussion. Mitsui President Mandai Junshirō proposed it again in June 1938, through Yūki Toyotarō, but former Dai-Ichi presidents Sasaki and Ishii were against the idea. They thought a three-party merger including Mitsubishi might be worth considering, but a combination with Mitsui alone, in their opinion, was not in the best interest of the bank. *Daiichi Ginkō shi* 1957, vol. 2, p. 316.

⁹⁷ The wording is “*awayuru zaibatsu de nai yūshū ginkō*” いわゆる財閥でない優秀銀行. Mitsui Ginkō 1957, pp. 277–278.

⁹⁸ The account of the merger is in *ibid.*, pp. 277–285. The merger contract is reproduced on pp. 285–288. Akashi ornamented his speech (quoted also in *Daiichi Ginkō shi* 1957, vol. 2, p. 243) with catchwords of the day such as *ichioku isshin* 一億一心 and *daitōa sensō hisshō* 大東亜戦争必勝. Others saw the principal benefit of the merger in terms of getting rid of (*seisan*) *zaibatsu* connections. Shibusawa Keizō 澁澤敬三 was brought in by Yūki and Mandai to be the intermediary between Mitsui and Dai-Ichi. Akashi had personally favored a merger since Mandai Junshirō suggested it five years earlier, but it was helpful to have the assistance of the grandson of Dai-Ichi's founder in smoothing the way with Dai-Ichi's board. Shibusawa was influential in his own right, as deputy governor of the Bank of Japan; he would become governor in 1944. Akashi Teruo, incidentally, was a son-in-law of Shibusawa Eiichi.

⁹⁹ The fundamental principles of a company, codified, are called *shaze* or, in the case of a bank, *kōze*.

¹⁰⁰ Mitsui Ginkō 1957, p. 295.

¹⁰¹ *Ibid.*, pp. 295–296.

¹⁰² *Daiichi Ginkō shi* 1957, vol. 2, p. 317.

¹⁰³ Tashiro continues, “That was a time when the aggregation of huge amounts of funds was necessary to supply funding for war supply production, and when management efficiency was strongly demanded in anticipation of even greater stringencies in personnel and materials. From 1942, especially, reorganization of financial institutions for wartime purposes progressed rapidly, and the ordinary banks were mobilized directly for war objectives through the Decree on the Financial Control Association and the Decree on Financial Industry Adjustment. We acted under the direction of the National Financial Control Association.” There were, that is to say, extenuating circumstances, and the bank's actions were not entirely voluntary, but the main point is that bank did cooperate with the war goals. *Ibid.*, vol. 2, pp. 342–343.

¹⁰⁴ Nihon Keieishi Kenkyūjo 1976, p. 193. Regarding Asakura: The bank's editorial committee, formed of a managing director and four department chiefs in 1973, decided that they wanted to produce a history that would be enjoyable for customers and other outsiders to read. They engaged the Japan Management History Research Institute to do the job, and turned the task of composition over to Asakura and Sugiyama Kazuo 杉山和雄. For reasons of health, Professor Sugiyama ended up contributing only the first of the nine chapters of the book, on the Edo period origins of the Mitsui business and the early Meiji period, to about 1890. Professor Asakura was sole author of the rest. He brought to the task the experience of having authored one of the standard surveys of modern Japanese financial history, and professional banking background, as well as a doctorate in economics. His banking experience was not at Mitsui, but in the Bank of Japan. Conceivably that made it easier for him to reach toward objectivity, or to maintain a scholarly distance toward his subject, than it had been for the earlier house historians, who were, after all, regular employees of the organization about which they were writing. He also benefited from the passage of time; writing in the mid-seventies, he enjoyed a different perspective from his predecessors of the mid-fifties, making it easier to eliminate detail in some passages and to see where it would be useful to fill in background in certain others. (This author's survey history is (*Shinpen*) *Nihon kin'yū shi* (Asakura 1988).)

¹⁰⁵ Nihon Keieishi Kenkyūjo 1976, pp. 191–192.

¹⁰⁶ The quotations are from *Mitsubishi Ginkō shi* 1954 (1970), pp. 304 and 305. The account of the merger, which includes many excerpts of documents, is pp. 301–333.

¹⁰⁷ Katō has earlier been referred to as chairman. Effective 1 April 1943, the title of the chief executive officer of Mitsubishi Bank changed from chairman (*kaichō* 会長) to president (*tōdori* 頭取). Mitsui and Yasuda had made similar changes earlier, when traditions of having family members in the top spot were ended. To the present day, bank presidents are called *shachō* 社長 at some institutions, *tōdori* at others. At most banks today, the effective chief executive is the officer in this position, and the chairman of the board of directors (*kaichō*) is a retired president who is not active in everyday management.

¹⁰⁸ Fuji Ginkō 1980, p. 194.

¹⁰⁹ *Ibid.*, pp. 194–196.

¹¹⁰ Searches of the Harvard University and Columbia University libraries for corporate histories published by the leading U.S. banks came up empty. Allan Nevins wrote a fairly short (156 pages) sponsored book, *History of the Bank of New York and Trust Company, 1784 to 1934*, privately printed and “issued by the Bank of New York & Trust Company on the occasion of the one hundred and fiftieth anniversary of its founding” in 1934. Apparently no major U.S. bank has published anything more than a brochure or pamphlet on its own history since then. As for quarterly and annual reports, we might think of them as “current history” or “short-term history,” akin to journalistic reportage, but informed by a readily identifiable pecuniary interest.

¹¹¹ *Daiichi Ginkō shi* 1957, vol. 2, pp. 187, 190, 244. “Earning assets” refers to loans and securities owned. Over the period from the second half of 1937 through the second half of 1941, absolute levels of semiannual profits held fairly steady and indeed rose slightly (unadjusted for inflation), averaging ¥5.6 million.

¹¹² There is a table with selected asset figures and net profit figures for 1932–1935 in the text of *Daiichi Ginkō shi* 1957, vol. 2, p. 187, but for more details of assets, liabilities, and profits and losses, and a complete time series down to just before the date of publication, one must turn to the unpaginated appendices of this volume. This paragraph draws on the data much more than on the discussion by Tashiro.

¹¹³ Mitsubishi Ginkō 1979, pp. 908–909. When the continuation of the Mitsubishi history was published in 1970, the text of the 1954 *Mitsubishi Ginkō shi* was reprinted in a newly issued volume, but all appendices were omitted. Those were moved to the new second volume, *Zoku Mitsubishi Ginkō shi*.

¹¹⁴ *Mitsui Ginkō* 1957, part II, *Gyōmu*, pp. 371–458. Asakura, in *Nihon Keieishi Kenkyūjo* 1976.

¹¹⁵ Reported balance sheet and income statement figures are from *Mitsui Ginkō* 1957, pp. 724–725, 726–727, 730, 734–735. None of these figures is adjusted for inflation. I calculated rates of return, rates of change, and averages. The fiscal year-end was changed to conform with government accounting practice effective 30 September 1943, so that fiscal year 1943 ended 31 March 1944, and so on.

¹¹⁶ *Sanwa Ginkō shi* 1954, pp. 79–81, 114–117, 153–156.

¹¹⁷ *Sumitomo Ginkō* 1979, pp. 302–303, 312. Treatment of profits is not detailed. I have relied on the table of important accounts, 1928–1945, *ibid.*, appendix pp. 48–49. These figures are as reported, unadjusted for inflation. Sumitomo's writers are unique among the historians of the six banks I looked at in providing concrete information about nominal growth rates, the GNP deflator, and real growth rates. They give us this data in a table that covers 1931 through 1944. The deflator ranged between negative 12.6% in 1931 and plus 26.0% in 1940; from 1938 through 1944, it was always in double digits, and averaged 18.6%. *Ibid.*, p. 295.

¹¹⁸ *Yasuda Ginkō* 1940, appendix, pp. 22–23. Yasuda does not break out the profit from each semiannual period from the profit carried over from the previous period. Accounting conventions were such that one cannot simply subtract the figure for the previous period from that for the current period to arrive at the net profit for the current period; many allocations from profits to reserve accounts, retirement benefit accounts, and the like, were made from current period profit.

¹¹⁹ All six bank histories make frequent reference to the following laws and decrees that affected the banking industry: 10 September 1937 Emergency Funds Adjustment Law (implemented 27 September, amended January and August 1938 and April 1939); 1 April 1938 National Mobilization Law (implemented 5 May); 18 October 1939 Decree on Price Controls (implemented 20 October); 19 October 1940 Decree on Funds Management by Banks and Others; 8 December 1941 General Plan for Implementation of Wartime Emergency Funding Policy announced; 24 February 1942 Bank of Japan Law (implemented in stages on 20 March and 1 May); 18 April 1942 Decree on the Association for Control of Finance; 16 May 1942 Decree on Consolidation of Financial Enterprises; 2 August 1943 System for Centralized Settlements of Domestic Exchange Transactions; 31 October 1943 War Supply Company Law (implemented 17 December); 18 January 1944 System of Designated Financial Institutions for War Supply Lending; 27 January 1945 Decree on War Supply Sufficiency Companies.

¹²⁰ Gall et al. 1995. Authorized originally by the late spokesman of the bank, Alfred Herrhausen, and fully supported by Herrhausen's successors, Lothar Gall and his co-authors Gerald D. Felman, Harold James, Carl-Ludwig Holffrerich, and Hans E. Büschgen can be categorized as authorized biographers, in terms of my conceit about biographies and autobiographies of artificial persons. They were independent outsiders granted total access to the archives of the bank, not employees who had on some level a professional duty to protect the interests of shareholders, depositors, and customers. Tashiro and Asakura appear to have been in much the same position. As for naming names of clients, the Mitsui, Mitsubishi, and Sumitomo histories do list names of borrowers and sometimes of amounts of credit extended. Mostly (not surprisingly) those borrowers are companies in the same *zaibatsu* group. The Japanese corporate historians almost never elaborate on the specific purpose of a credit transaction or give details of what the borrowers were producing.

¹²¹ The scholars who wrote the Deutsche Bank history say they were not limited in what facts and

interpretations they presented. It deserves attention that while James, in “The Deutsche Bank and the Dictatorship 1933–1945” (pp. 277–356), does not spare Deutsche Bank from exposure of some embarrassing associations, practices, and policies in its past, neither does he take a sanctimonious judgmental stance—or at least he makes plain that choices are not simple. Concluding his section on “Banks and ‘Non-Aryan’ Business,” for example, he writes, “[Deutsche Bank]’s participation in ‘Aryanization’ had brought a terrible moral burden. On the one hand, bank support undoubtedly helped some Jewish owners, especially in Germany in the pre-1938 borders (the *Altreich*): we shall see some occasions in occupied Europe when bank action was much more brutal. Without bank brokerage of property sales, it would have been more difficult for the victims of National Socialist persecution to rescue even the very meagre share that state regulations allowed them to retain and transfer out of Germany. On the other hand, in making these deals, the bank was not only engaged in a relatively well-earning commission business, but also facilitating the state’s realization of its political, racially motivated, objectives. In this way, banks were being pushed into the subservient role which the ideological fanatics of the new movement had demanded as early as 1933. An action which in individual cases . . . may appear to have been motivated by a genuine sympathy for former business partners, in its cumulative effect undoubtedly helped to undermine the principles of property and morality” (pp. 307–308). This kind of explicit reflection on moral nuances and the consequences of bank actions is missing from the Japanese bank histories.

¹²² Ienaga 1985 (2002), pp. i-ii.

¹²³ Maruyama 1969, p. 125.

¹²⁴ Rohlen 1974, p. 48; I have substituted the word “bank” for Rohlen’s fictional name “Uedagin.” For an example of a senior manager’s pronouncement on continuity, see the introduction by the president of the bank, Sako Seiji 迫静二, to *Fuji Ginkō 70-nen shi* (Fuji Ginkō 1952): “From the perspective of the social mission or the essential character of a bank, what we seek, of course, is to go on forever, and seventy years is not at all a long time. Yet at the same time when we quietly reflect on our past, we cannot but feel boundless profound emotion at the vicissitudes in our country’s fortunes and at the growth and development of our own bank during these years.” The phrase “essential character” (*honshitsuteki seikaku* 本質の性格) might also be rendered “essential personality,” if we grant that a corporate entity can have a personality.

¹²⁵ Satō Kiichirō 佐藤喜一郎, in *Mitsui Ginkō 1957*, p. 1.

¹²⁶ “Atogaki,” *Fuji Ginkō 1980* (unpaginated). The bank historians elaborate further on their principles of selection: “We have focused on the high and low points of the history of a hundred years, and occasionally have placed emphasis on explaining in detail certain actions and the thinking or intentions behind them. To make this possible, we have omitted broad ranging descriptions of the bank’s organization and structure and statistical explanations of the bank’s financial performance and condition. We have limited commentary on general domestic and international economic trends to what is relevant to and understanding of our bank.” President Matsuzawa Takuji 松沢卓二, in his “Kankō no kotoba,” declared, “The meaning of looking back at history is that it gives us a context for reflecting deeply on what is said to us today. On the occasion when we commemorate our hundredth anniversary, we have a responsibility to convey to future generations a history that properly understands the accomplishments and the lives of the people who built our bank—a history that becomes more complete with the passage of the eras. . . . The reason why we have compiled this new history covering the entire hundred-year period of our Bank’s history, even though we had already published sixty-year, seventy-year, and eighty-year histories, is that we believe that in this time of great change, we need to examine closely and

understand the past course of our bank by looking at the whole of the past century, and to refresh our preparedness to inherit this past and go forward.”

¹²⁷ Katō Takeo, “On the Occasion of Publication,” *Mitsubishi Ginkō shi* 1954 (1970). President Chigira Sōzaburō 千金良宗三郎, in his introduction to this work, noted, “History is a precious thing. If we do not know the history of our house, we cannot hope for the expansion of our house. That is so for nations, and it is the same for banking corporations. . . . Now, at a time when our nation is reconstructing, . . . we feel deeply our serious responsibility to contribute to a still higher level of prosperity. On this occasion, we present a guide to our future course, in the form of instructive materials for reflection on the past developments of our bank and the record of the hard fight of our predecessors.”

¹²⁸ Conversely, clients may avoid doing business with someone with a questionable past. Lawrence Cohn, a financial analyst at Ryan, Beck & Company, expressed this in commenting on alleged misuse of unclaimed funds by Bankers Trust employees in the 1990s: “Financial institutions face extraordinary risks when they plead guilty to a felony. Lots of customers won’t do business with convicted felons.” Timothy L. O’Brien, “Bankers Trust Investigation Narrows Focus,” *The New York Times*, 13 March 1999, p. C1.

¹²⁹ Sumitomo Ginkō 1998 might exemplify a new pattern. The body of the text of that book spreads over 671 pages, exclusive of nearly 200 pages of appendices. While 469 pages are devoted to the postwar years, the period 1931–1945 is covered in just 41 pages. Fewer individual bankers’ names and far fewer quotations of executives’ wartime statements appear in this 1998 account than in the eighty-year history published in 1979.

要旨

営業の観点から見た日本の民間銀行： 1931年から1945年までの経営史の一考察

ジェームズ・C・バクスター

本稿では満州事変から太平洋戦争終戦にかけて日本経済における大手民間銀行の活動とそれらが果たした役割を再検討する。先行研究の大多数は、国家政策若しくは大蔵省や日本銀行の指導、また1937年日中戦争が勃発して以来段々と厳しくなった経済統制政策を重視してきた。それらの研究とは対照的に、ここでは民間銀行自体の方針と活動、なかでも大手銀行の資金調達活動、利益を得ることを目的とした資金運用活動に焦点をあてる。具体的には三和・住友・第一・三井・三菱・安田といった戦前のいわゆる六大銀行が創立記念刊行物として発行した銀行史をもとに、民間銀行の経営者の発言と営業方針を分析する。彼らは健全な金融機関の構築と安全な営業を目指していたし、企業が繁栄できる経済環境を望んでいたと本稿は論じる。政治情勢の変遷や経済統制の強化のなか、日本の民間銀行家は

経済環境や規則の変更に従ってその行動を順応させ、時には軍事拡張に関連する営業拡張の機会を積極的に掴んで活用した。当時流行していた愛国主義、国家主義を叫ぶ声は銀行業界内にもあった。しかし同時期に、民間銀行の高幹部何人かは、経済統制に対して疑問を表している。彼らは、統制制度のさまざまな方針や規則は健全なる金融業界の養成と維持を損害する恐れがあり、貸付業務においての銀行経営陣の裁量権削減は望ましくないとしていた。結果的には、民間銀行家は時勢に合わせ、厳しい状況のなかで日和見的に「善処する」経営方針を取り、国家の戦争作戦の実行を援助することとなる。