

Relationship Change Between Mitsui Family and Japanese Government the Rise of Mitsui Family after Meiji Restoration

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ABSTRACT

In this paper, I will mainly talk about the rise of Mitsui family from Tokugawa shogunate period to the time of World War II. This paper will discuss how Mitsui family made good decisions to make his family cooperation great in different periods of time in Japan. Mitsui family gained control of trades and industries in the Meiji period which confirmed the key role of this family in Japan. With the economic development of Mitsui family, the family started to touch the political party in the government which achieved their ambitions through the war. I figure out Mitsui family and Japanese government before the end of World War II are mutual to each other, they both gain benefits by the war.

Keywords: Interest-free loan, intelligence network, Daichi Bank, Zaibatsu, Mitsui & Co., Ltd., Miike Coal Mine, Inoue Kaoru, Masuda Takashi, Hikojiro Nakagamikawa, and Rikken Seiyukai

1. INTRODUCTION

The Zaibatsu played a pivotal role in the history of Japan. They mastered the Japanese economy and played a supporting role during the expansion of Japanese imperialism. Japan's zaibatsu has a long history. Not only have they been supported by the government, but they have also had a significant impact on the government's decision-making. After Japan's defeat in World War II, the zaibatsu was strongly impacted by the outside world. The Mitsui family, one of Japan's four major Zaibatsu families, has a long history, survived the efforts of generations to this day, and has made great contributions to Japan's current economy. How could Mitsui family flourish in Meiji Period of Japan, shift from a dependent to a patron of the government, and exert political influence on government decision? I will find the reasons about why the role change of Mitsui family could occur from the historical development of Mitsui family. I will focus my research on the Mitsui family after the Meiji Restoration and before the World War II.

2. MAIN BODY

In Heian Era, the ancestors of the Mitsui family were the descendants of the Fujiwara Taoist, Fujiwara Uma no Shi who settled in Mitsui Village near Mitsui Temple in Omi country and changed his surname to Mitsui. The Mitsui family originally was a samurai family. However,

they believed that the society established by the Tokugawa Shogunate was relatively peaceful and stable, so they believed that becoming a merchant family was more promising. The result shows that Mitsui family made a correct decision. In the middle of the 17th century, Mitsui family switched to be a business family. In that period of time, samurais are aristocrats, but merchants are in lowest stage in Japan. Mitsui family's decision is bold and visionary. In 1673 years, Mitsui Takari opened Mitsui Echigoya (Mitsui Department Store). After 14 years, the Mitsui family became the royal merchant of Tokugawa Tsunayoshi. In the period of Tokugawa Shogunate time, there are a large number of samurai and other "non-producers" in Edo, and their needs can only be met through external goods, many of which come from Osaka. In order to pay for these goods, Edo merchants bring cash or precious metals to the money changer in Edo, and the money changer will give them money orders that can be sent to Osaka. After an Osaka merchant received the money order, he took it to the local money changer. The money changer issued cash in accordance with the money order — the cash originated from the rice tax brought to Osaka by government officials. In this way, materials and goods produced in the "Kitchen of the Realm" Osaka are paid for by Edo merchants without having to move large amounts of money between the two cities. The system not only avoids the danger of transporting gold and silver, but also allows Edo merchants to purchase goods from Osaka safely and simply to meet the needs of Edo. The value of licensed

money changers such as Mitsui lies in their skillful handling of the huge sums of money entrusted to them, the funds they hold and use for the benefit of the government, and thus obtain generous returns. Historians have credited the Mitsui and their money-lending associates not only with linking shogunate assets in Edo and Osaka, but with contributing to financial and commercial relations between those cities[1,2].

The Tokugawa Shogunate also provided the Mitsui family with interest-free loan, which helped Mitsui family to develop their business. Relying on the government's risk-free and cost-free support, Echigoya which is the family business of Mitsui expanded all Japan and became the largest store in 1700 years, which means Mitsui family's business had become an essential part of most Japanese people in that period of time. In the late period of Tokugawa Shogunate, Mitsui family is the richest and the most eminent family in Japan, which means Mitsui family's action could affect the whole country. For example, the Tokugawa Shogunate's shut down policy made the country's finances tight, and successive years of grain harvests crushed the government's finances in late Edo period. The Tokugawa Shogunate began to demand money from royal merchants like the Mitsui family. As the main financial provider for the government, it's no doubt that Mitsui family had played a key role in the government and the country. However, in that period of time, Mitsui family still had to be commanded by the government's decisions, though it had the ability to shake the economy of the whole country. In this period of time, Mitsui family also set their own intelligence network for protecting their family from the "enemy" who tried to threatening the status of Mitsui family and keeping their family's economic dominant role in the country.

There were serious financial problems in the late period of the Tokugawa shogunate's administration. Because the shogunate encouraged the development of commerce, more and more people started to do business which resulted lots of farmland uncultivated. Furthermore, Tokugawa Shogunate's income was coming from the tax of grains framers cultivated. The shortage of farmer and grains directly caused the financial collapse of the government. Because the Tokugawa Shogunate asking for the financial assistance endlessly, the Mitsui family had long been displeased, and began to make a significant decision which will flourish the family in next era. With the emergence of the Japanese Reformists, the Mitsui family secretly provided financial support, which paved the way for their status as a royal merchant in the Meiji period of Japan in the future.

In 1867, October first, the Japanese Reformists succeeded in gaining a dominant position with financial assistance from the Mitsui family, but in the early days of the establishment of the new government, there's not any

large family which dared to stand up and publicly support it. Many people believe that the Tokugawa Shogunate still has the possibility of making a comeback. However, Mitsui family had different thought to this occasion. For repelling Tokugawa Shogunate quietly, Mitsui family already set a intelligence network for protecting the whole family. Depending on the intelligence network Mitsui family set, the Mitsui family publicly supported the emperor's government, and such a move successfully gained the trust of the Tenno's government. In 1868, with the remnants of the Tokugawa shogunate gradually disappearing, the new government's finances are still strained. For solving financial problem of the Meiji government, the Mitsui family participated in the establishment of Daichi Bank of Japan, and issued the government bond to commoner which helped commoner adapted into new government quickly. Through issuing government bond for Meiji government, Mitsui family became the largest shareholder of Daichi Bank, the status of Mitsui family in the government is raising with finances increasing in the Daichi Bank. Mitsui family also could gain 20% commission from the government bond, which means that Mitsui family was benefited by the trust and policy of new government.

In Meiji period, Zaibatsu like Mitsui family developed very fast by the support of government and the strike from western country. Primarily, government would provide subsidies for developing Zaibatsu. By the book written by Josh Schenkein, "*Japan, The Great Power: Industrialization Through The Lens of Zaibatsu*", Government subsidies gave the zaibatsu an initial base of capital that was expanded upon through the diversification that equity-based loans enabled, yet neither of these sources were reliable[3]. For encouraging international trade, Meiji government abolished the Sakoku policy (Closed Country policy established since Tokugawa Shogunate), which helped Zaibatsu contacted foreign capital. In early Meiji period, Japan exported silk and tea to the United States, while importing finished textile goods and machinery from the United States. Importing machinery from the United States promoted the industrialization of manufacturing field in Japan. The increasing number of deals and machineries encouraged the development of Zaibatsu like Mitsui family because Mitsui family was committed to developing foreign trade in early Meiji period.

Mitsui family developed crazy fast by the increasing deals in foreign trade and the support of Meiji government, so the relationship between government and Mitsui family become closer than before—Mitsui family relied on Meiji government for expanding his commercial empire. For better connecting with the government, Mitsui family found a spoken man, Inoue Kaoru, in the government. Inoue Kaoru was an anti-foreigner group when he was young, and he set fire to British legation in Edo. Finally, he realized that learning advance ideas from western countries is the best way to

strengthen his home country, so he went to Britain for learning. After he was back from Britain, he actively participated in Toubakundou (overthrowing Tokugawa Shogunate). His positive participation in Meiji Restoration set a firm base for his key role in the Meiji government in the future. He was appointed Vice Minister of Finance in 1871, which means he could directly influence financial policy of Meiji government. By his learning experience in Britain, he found industrialization is an essential step to help Japan raise the international status. For encouraging development, and raising the status of Zaibatsu, Inoue reformed the land tax system, terminated government stipends to the ex-samurai and former aristocracy, and promoted the industrialization of Japan. The new policy closed the relation between Zaibatsu and Meiji government, but it severely harmed the interests of aristocracy stage in Japan. Zaibatsu like Mitsui family is Inoue's loyal supporter, and Inoue gained many benefits from tiny Zaibatsu, such as becoming the shareholder, receiving cash, and keeping high reputation among Japanese chamber of commerce.

Through his political life, Inoue Kaoru is known as a typical representative of collusion between officials and businessmen, especially Mitsui family. The connection between Mitsui and Inoue Kaoru began closer since the appearance of Masuda Takashi who is the first president of Mitsui & Co. When he was young, Masuda gained broad experience in trading, establishing a trading company dealing with foreign counterparts, and also spending time working at overseas entities. Masuda's ability caught the attention from Inoue Kaoru, so Inoue appointed Masuda as vice president of his own trading company. Since Inoue Kaoru was given a cabinet post, his company had to be dissolved by policy of Meiji government which is for preventing direct interests' connection between cabinet members and private company. Inoue, Masuda and Rizaemon Minomura, who was head clerk of Mitsui-gumi, had 3-way discussion about the establishment of former Mitsui & Co., Ltd. By this occasion, Masuda became the charger of former Mitsui & Co., Ltd. The close relationship between Masuda and Inoue confirmed the connection between government and Mitsui family.

Masuda had the ambition that he wanted to build a commercial empire for former Mitsui & Co., Ltd. Mitsui & Co., Ltd. is a trading company, and its initial business is to act as an export agent, earning commissions, and extracting share. Under the leadership of Takashi Masada, former Mitsui & Co., Ltd., which is relatively independent and does not need to bear any business risks, began to make money wildly. The first business opportunity they aimed at was to help the government collect land rent from farmers. At that time, farmers were holding agricultural products, but they lacked monetization channels. Therefore, the Mitsui family bought these crops, the farmers gave the government

money, and then the Mitsui family sold the food to earn rebates. Coupled with the outbreak of the Japanese Civil War, in just one year, Mitsui & Co.'s net profit reached 500,000 yen. The following year, 1880, Masuda came to Shanghai, China to establish a branch office, which was the first step for former Mitsui & Co. to go global. Since the Mitsui family began to cast a net worldwide, it indirectly providing financial and intelligence support for Japan's subsequent war of aggression. The rise of commercial empire of Mitsui still faced a major problem—ocean shipping. Japanese ocean shipping was under the charge of Mitsubishi family in early Meiji period, so Mitsui had to pay high shipping fee for exporting goods. In 1882, Mitsui established Kyodo Unyu Kaisha, which means that Mitsui started to reach sea transportation field of Japan[4].

Giant Zaibatsu like Mitsui and Mitsubishi showed their impact on the entire country in scrambling ocean shipping markets. Since the establishment of Mitsui Kyodo Unyu Kaisha, Mitsui and Mitsubishi were keeping dropping their shipping fee for gaining more support from people. This action severely harmed two families' interests, but it thrives the exporting shipping field and international trade of Japan: merchants could trade goods overseas in low shipping fee, and the international trade encourages the contacts among Japan and western countries. Two families both got huge loss on interests, so they finally reconciled under the government consultation; Mitsui's logistics problems were solved. Observed from the process of this event, the growth of giant Zaibatus was positive; giant Zaibatus could charge different fields like ocean shipping of Japan which means they hold the key to the development of Japan.

With the growth of giant Zaibatus like Mitsui, the economy of Meiji period Japan increased very fast. From 1888 to 1902, exports and imports of Japan increased 10-fold. The government found that it could develop industry and commerce more effectively under Zaibatus' system which can better gather talents and finances, so the government began to bid on state-owned assets such as mines at low prices. By this occasion, Mitsui got the opportunity to reach industrial field of the country. In that era, coal was the basic driving force of all industries. Miike Coal Mine is the worthiest resources of Meiji government; Matsukata Masayoshi, who was the prime minister of Japan in that period, had to sell national mine to Zaibatus for better industrial development of Japan. The Mitsui family already paved the way for the coal business in early Meiji period: Mitsui's business spreads all over the world which provided favorable conditions for transportation of coal. In the end, the Mitsui family became the final winner in the bidding with the Mitsubishi family. In the future, the Miike Coal Mine became the major source of Mitsui's industrial output, laying a strong foundation for the future Mitsui industrial empire under the leadership of Hikojiro Nakagamikawa.

The existence of Miike Coal Mine was a dark mark in modern Japanese history. People in the Japanese colony, Korea, were unpaid labors for the Mine. Many labors didn't have the proper protection for their health, so they died in numerous cases. Countless slaves and prisoners of war had to work in toxic conditions under the Mine. The thrive of the Mine of Mitsui family in was period is the big cry of humanity.

Hikojiro Nakagamikawa, the leader of former Mitsui & Co. under the first economic crisis of Japan. He was studying abroad, and admired the advance technology of western countries. He was impressed by the industrial revolution in western countries, so he believes completely developing industrial field is the answer for a corporation living in this era. He was appointed to be the leader of Mitsui by the Inoue Kaoru, and Inoue hoped Hikojiro could obey government's force for better controlling Mitsui corporation. Mitsui family denied, but Hikojiro still became the leader of Mitsui by the support of government. However, Hikojiro was not a puppet of Inoue Kaoru or government force, and he had his own ambition that he wanted to thrive Mitsui in his own way. Firstly, Hikojiro gained the trust of Mitsui Takaho who was the Mitsui family hardship in that period of time. By the support of Mitsui family constitution, Hikojiro cut the relation between government and Mitsui. Secondly, he established new salary system which attracted more talents to work for Mitsui bank, and speeded up the modernization of Mitsui corporation. Finally, he confirmed the direction of development of Mitsui in his era— industrialization. Industry was important and beneficial in war time, and Hikojiro's decision exactly worked in that time. Toshiba's predecessor, Shibaura Manufacturing, was once a company under the full control of the Mitsui Consortium. By 1939, the Toshiba shares held by the Mitsui Consortium had dropped to 14.8%. After taking over the Shibaura Works, Hikojiro also led Mitsui to annex Oji Paper, which is the largest paper group in Japan today. With these actions progressing and the outbreak of Sino-Japanese War, the influence of Mitsui family reached a pretty high level. In the war, Japan needs more supply, more weapons and more money. These demands all could be satisfied by the support of giant Zaibatsu. Mitsui, as the greatest giant Zaibatsu in that era, affects the course of the war of Japan by his every move. By the book written by Josh Schenkein, *"Japan, The Great Power: Industrialization Through The Lens of Zaibatsu"*, giant Zaibatsus were able to reduce their reliance on the government, because in this stage Zaibatsus could raise and secure capital largely on their own. It is in this final stage, once capital accumulation matured, and only after it matured, that large-scale heavy industrialization could be undertaken[3]. Gradually, giant Zaibatsu like Mitsui broke away from dependence on the government support; relying on its own powerful capital power and control of industrial resources to deepen his influence on the

government.

The influence of the Mitsui family on the government is not limited to industrial resources and export trade; it directly affects the government's decision-making by funding Japanese political parties. Rikken Seiyukai, the dominant Japanese political party from its inception in 1900 until 1940. Rikken Seiyukai was organized by Ito Hirobumi, the first prime minister of Japan, was a conservative party, and supported bureaucratic control and militarism. Its ruling has accelerated the growth of Japanese Zaibatsus and the expansion of Japanese imperialism, and has a profound impact on modern Japan. Rikken Seiyukai and the Mitsui family achieved mutual "success"—it relied on Mitsui's support to gain power, and Mitsui used it to seek profit in the war. For example, Mitsui arranged prisoners of war captured in the battle to work as laborers in the mines and tortured them. In other words, the victory of Japanese imperialism was also the victory of Mitsui. In that time, the relationship between Mitsui and government became very tricky—they are like business partners[5].

After World War II, Japan is defeated. The Allied occupation believed that the existence of Zaibatsu was the root of Japanese imperialism, and the Japanese Zaibatsus disintegrated under pressure from the Allied occupation. During the Cold War between the United States and the Soviet Union, the United States regarded Japan as an important supply depot in order to deploy troops in East Asia. As a result, the United States began to actively help Japan in its post-war reconstruction, and the Zaibatsus also took the opportunity to reorganize, but they were difficult to return to their former glory.

3. CONCLUSION

Through the history of the development of Mitsui family, I have found the answer of the question I'n the first paragraph. These are two major reasons why Mitsui could achieve its role change in a country. Firstly, I think Mitsui group became independent to the aid from government because it had become a mature Zaibatsu which could develop independently. Without the limitation of government, it could develop by his private bank because it had reliable income and capital. Secondly, I think the industrial development of Mitsui is the key element. Mitsui controlled the mineral resources and manufacturing of the country. For Imperialism Japan, industry is key of the war. When large zaibatsu like Mitsui control the industry of the country, the government had to treat Mitsui family properly.

In the work, I observed the rise of the Mitsui family in four aspects. First of all, the Mitsui family's long history and early accumulation of wealth helped it become a backbone of early Meiji government. Secondly, the Mitsui family had steadily developed commerce, completed the accumulation of primary capital by relying

on the connection with the important government minister, Inoue Kaoru, and then had the ability to be independent to the support of government. Thirdly, through several generations of hard work, Mitsui had achieved control over the country's commerce and industry and had the strength to cooperate with the government. Finally, through funding the political parties and the government to reach cooperation, and obtain benefits in the war. The legendary Mitsui family, from a samurai to a businessman and from a businessman to a giant Zaibatsu, had subtly positively influenced Japan's modernization through the change of roles, leaving a strong mark in modern history of Japan.

The research about the rise of Mitsui family is meaningful to observe the Zaibatus surviving in modern Japan. By different historical context, Zaibatsu will play different role in the society. Discussing their roles in nowadays Japan will be a great research in the future.

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