The Edo Period in Japanese history tends to evoke the image of an age of "pure feudalism," and thus of a fairly dark age. People conjure up visions of peasants forced to eke out a bare subsistence that left them forever suspended precariously between life and death; of infanticide and trafficking in human bondage being practiced on a large scale; of the country being cut off from overseas civilizations by the seclusion of the country and of being left in cultural backwaters while the rest of the world marched forward in economic development and scientific and technological progress. Even where there may have been development in the cities and in commerce, these have been considered as having benefited only a few privileged wealthy merchants. Thus the Edo Period has tended to be thought of, in the extreme assessments, as a "stagnant society," a "zero-growth society." The Edo Period has customarily been referred to as the *kinsei* (recent times) period in Japanese history, the use of this term implying a society that was different from the *kindai* (modern times); in other words, the term *kinsei* has the sense of *pre-modern.*

Nowadays, however, a considerable number of historians have come to think of Japan’s *kinsei* as, rather, "early modern." The rea-
son for this changed way of thinking is that it is now possible, as a result of closer study, to find present in this period a number of political, social, economic, and cultural elements that really can be thought of as the buds of what would flower in modern times, and that were not found in Japan's ancient or medieval times. The following are some specific instances of what I mean.

First of all, it was in this period that the decline in the ancient power structure of the Imperial Court/court nobles and religious bodies became definitive. This did not mean only the collapse of the ancient and medieval political systems (the bureaucratic system of national, imperial rule established by the legal codes [ritsuryō], together with the landed estate [shōen] system); it also meant the end of religious power, as symbolized by Oda Nobunaga's burning of the Mt. Hiei shrine complex in 1571. This gave birth to a society in which secular economic values and rules had the most powerful influence on people's conduct.

Secondly, there was the realization of a certain degree of broadening of economic activity as a result of the increase in daimyos' control over entire domains during Warring States period and the collapse of local control by rival warlords. The medieval period had been one in which, coexistent with the ritsuryō and shōen systems, a resident territorial-lord system was in effect: warriors were dispersed around the country to exercise control over a limited amount of territory. While the landed-estate lords living in the central cities organized guilds, the resident territorial lords controlled the local marketplaces by such means as control of the periodic markets and the setting up of checkpoints. In the process of unifying their domains, Nobunaga, Hideyoshi, and other victors in the civil wars aimed at unifying their domain markets by adopting the policy of free markets and open guilds, and the abolition of checkpoints, and so on, thus destroying the grip of traditional forces and territorial lords on the distribution network, and by absorbing the functions of the marketplace into the castle towns, so as to make the latter the pivotal points in unified domain markets. The ideal situation aimed at by these kinssei daimyos was that each domain's economy would be an independent productive unit on its own, but since in actuality it proved impossible to supply all the necessary goods and materials from within a single domain and economic viability made trade beyond the borders of the domain imperative, market transactions took place
between domains, with the result that Osaka, Edo, Kyoto, and similar economically central cities developed into important economic links. Thus, with the establishment of domain markets and the establishment of inter-domain markets, economic activities came to involve wide regions and would serve to stimulate the formation of a national economy.

The third phenomenon that must be mentioned is the great change in the spatial dimensions of people's lives. The period from the time of the Warring States to the early Edo years was a period, unprecedented in Japanese history, of cultivation of new land. When we hear the phrase "paddy field" we tend to imagine wide plains at the lower stretches of large river systems, but that image is far from what farmland looked like before the Edo Period. Rather, farming was carried out on small plots of land situated in valleys or at the base of mountains, where natural springs or small streams were available. The productivity of such farms was low, as well as unstable, with the result that it often happened that peasants would lead a vagrant existence, and fixed-abode farming had not taken a sufficiently strong hold. As a result of the expansion of daimyo political authority over larger areas of land after the civil wars ended, the improvements in lumbering and irrigation techniques, and the introduction of new, improved rice strains, development spread from the upstream areas of rivers to the downstream areas, and alluvial plains took over as the main rice-growing locations. Stability in the rice production industry increased, and fixed-abode rice farming families sprang up throughout the land. The stabilizing of the supply of grains in turn permitted the existence of people who were willing to settle down in towns at quite some distance from agricultural land, to work in commerce and industry, and thus it supported the development of the cities.

In the fourth place we have the system of four classes (warriors, farmers, artisans, and merchants), which meant the establishment of specialization relationships. Because the warriors living in the castle towns stopped having anything to do with material production, they had to start buying what they needed from the farmers, artisans, and merchants. Further, because their control over land was weakened, they experienced a change in status, from being landed nobles to being more of what you might call administrative
bureaucrats. Again, since those in commerce and industry were no longer producing foodstuffs and other agricultural products, they had to buy these. The farmers, on the other hand, produced not only agricultural products but also handicrafts, and were basically quite self-sufficient, but they needed to buy salt, pots, hoes, and similar materials and implements that they themselves did not produce, and the need for making such purchases increased as the Edo Period went on. Thus it was that, during the Edo Period, the distribution of materials and goods between the cities and farming villages became essential. Between regions, too, ties became stronger: in the area of handicraft products regional domains had to rely heavily on the cities in the five provinces near Kyoto, which had acquired centuries of expertise when it came to handicrafts, and this led to the emergence of economic transactions between the regional domains and cities in those five Kyoto-area provinces. Finally, the “alternate attendance” system whereby daimyos were forced to reside every other year in Edo created a consumer demand on the part of the daimyos and their bands of retainers in Edo and along the main roads that led to Edo, thus spurring the development of the supply to meet that demand. In this way a market or money economy came to be one of the pillars supporting the Bakuhan (the Bakufu [or Tokugawa shogunate] and clan) system.

The fifth factor that must be mentioned is the fact that the currency being used in the country was standardized by the Tokugawa Bakufu. In the early years of the Tokugawa regime the government produced gold and silver coins, and then from 1636 it minted large quantities of copper coins for use as currency among the general populace. The principal currency in use from medieval times through to the end of the civil war period had been coins imported from China, and the governments in Japan had been unable to establish their own currency-minting rights. But when the coins from China came into short supply with the decline of the Ming Dynasty and the stagnation of China’s commercial activities, at the end of the civil war period worn and mutilated Chinese coins, as well as forged coins, started being circulated, so that currency transactions started running into troubles. The Tokugawa government’s adjustment to the currency system went a long way towards improving the situation and played an important role in the devel-
In addition to these changes, there also were standardization of weights and measures and developments in the means of transportation and transport. The Edo Period saw a significant growth in economic activities that far surpassed early periods, and the right institutional conditions for such activities were put into place. In such a favorable environment a variety of business activities would be furthered by independent bodies, and this study will focus upon the large merchant houses established in the cities around the end of the seventeenth century, with a view to discussing the distinctive features of their business systems.

BUSINESS ORGANIZATION IN LARGE MERCHANT HOUSES IN EDO PERIOD CITIES

OWNERSHIP STRUCTURE AND FORMS OF ENTERPRISE

EARLY FORMS OF JOINT INVESTMENT VENTURE

Almost all of the Edo Period merchant houses are said to have been individually proprietorships, with hardly any of them having the form of a joint-stock company. Still, this does not mean that there were no joint enterprises; on the contrary, early forms of such companies developed in a variety of forms.

Among merchants engaged in trade in the early decades of the kinsei period, prior to the country’s seclusion policy, bottomry involving nagegane (money thrown in) bonds, or else an arrangement similar to Commenda (which is defined as a pioneering form of joint investment between non-functional capitalist with limited liability and functional capitalist with unlimited liability) was practiced. The way it worked was that, when the owner of a ship licensed by the shogunate was planning to send it on an overseas run, a trader, having first borrowed capital from an investor, would present a certain amount of silver to the ship’s owner, the journey would go ahead and the trade made, and, when the ship returned safely and the trader had made his profits, the profits would be

1 For more on nagegane see Kentarō Shiba, “Nagegane to wa nani, kaijō kashitsuke ka, kommenda tōshi ka” [What was nagegane, a maritime loan, or a Commenda investment?], Keizaishi kenkyū 45-47, 1933.
divided among the ship’s owner, the trader, and the investor; if it should happen, however, that a loss was incurred because of some disaster at sea or the like, the agreement was that there would be no return of the principal and interest. The period of the nagegane loan was for approximately six months; the money loaned was 5 to 6 kanme, and the interest was high: sometimes over 30–50%, depending on how high the risks involved in the sea journey. Sōshitsu Shimai of Hakata was one such investor, and he is said to have laid the foundations for the family’s attainment of great wealth.

The pooling of capital in the form of nagegane waned after the country’s seclusion policy was enforced, but a similar arrangement could be found in the cargo-vessel business. In this case the ship owner and the shipping agent received financing from a financier, carried out the maritime trade on a chartered-ship basis, and distributed profits and losses in proportion to the amount each invested—all of this agreed to by means of a “cargo vessel subscription bond” (kaisen kanyū shōmon). Another form of pooling capital was found among the Osaka money exchangers; in what were called “cooperative loans” other money exchangers would pitch in to help finance a given money exchanger’s loan.²

In such pooling of capital as the above, we can certainly find limited-liability nonfunctional shared financing of a functional financier (i.e., a financier who is doing the actual running of a business), by means of which it was possible to raise large sums of capital and divide risks. Still, all of these arrangements were short-term rather than long-term, and none of the parties involved would end up becoming established business concerns.

JOINT ENTERPRISE AMONG THE ŌMI MERCHANTS

Among Ōmi merchants there were some considerably long-standing partnerships.³ For the sixteen-year period from 1741 on, it

² For more on cargo vessel subscription, see Manabu Yunoki, “Kinsei kaiungyō no hatten to sono keiei” [Development of the kinsei shipping industry and its management], Keizaigaku ronkyū 14, no. 4, 1961, and Masahiro Uemura, Kinsei Nihon kaiun-shi no kenkyū [Studies in the history of shipping in kinsei Japan], Yoshikawa Kōbunkan, 1994.

³ More on the cases discussed in this section can be found in Watarō Kanno, Nihon kaisha kigyō hassei-shi no kenkyū [Studies on the history of the emergence of Japan’s company enterprises], Iwanami Shoten, 1931; Tsuneharu Egashira, “Kyōdō kigyō genryū kō”
would seem, superficially at least, that Denji Nishikawa single-handedly carried on the business of shipping dried sea cucumbers from Hokkaido to Nagasaki, but in reality he was receiving financial backing from 21 Ōmi merchants. The firm had issued 40 shares, and Nishikawa was an unlimited-liability functional capitalist, but the remaining financial backers were nonfunctional capitalists who only shared in the distribution of gains and losses. Similarly, in 1838 three Ōmi merchants, Kihei Fujino, Junbei Nishikawa, and Hanbei Okada, formed a partnership to take up “place contracts” in Etorofu in Hokkaido (samurai of the Matsumae clan had received fiefs from the clan and were entitled to carry on trade with the Ainu living in their fiefs; as time went on these samurai entrusted the trading to Ōmi merchants, in return for which they charged a contract fee for the use of their places; this was called “place contracting”). The three Ōmi merchants jointly financed a company they called “Ōmiya Sōbei,” and they set up a shop by the name of Marusan. They installed a manager in the shop, and they divided among themselves the losses and gains. This shop continued in existence for six years. A similar case can be found in the Inanishi dry-goods wholesale shop in Osaka, which was a joint enterprise started up in 1813 by Riemon Inamoto and Jūrōbei Nishimura, two Ōmi merchants who each invested an equal amount of capital. They called their partnership “Inanishi Shōtarō,” or sometimes “Inanishi Shōhei,” both names being formed by putting together the first half of their surnames. In the case of both the “Ōmiya Sōbei” and “Inanishi Shōhei” we can note that there was an agreement to divide gains and losses in proportion to the amount each partner had invested, that there was a division between the sharing capitalists and the manager, and that there was a business organization (a legal-body type of organization) set up whose name was independent of the person(s) of the investor(s).

In the case of the Genzaemon Nakai family from Hino in Ōmi, not only did business activities spread over a wider territory, but

also more and more outlets and branch shops were established, so that they owned more than twenty shops, all of them under the overall control of the main family in Hino. Each of the outlets and branches was capitalized separately; sometimes the main family financed such a shop all by itself, but there were also cases in which the main family’s investment, called mōshōkin (the equivalent of something like core capital stock) was complemented by joint financing derived from local capital raised in the town where the shop was to be located. In this latter case the investment of work and labor by the managers of the shops was also given recognition. Each shop had its own individual name, and the business was run either by a manager sent from the main family or by the separate family (for an explanation of this term, see the second last section of this paper) or local figure that had invested in the venture. The accounts of each shop were reported to the main family at the end of each business term, and the main family would put these together into a single settlement account, with a view to exercising overall control of the House of Nakai business.

As regards cases such as these there are two common interpretations. Tsunehiko Yui would hold that these were not cases of capital consolidation involving nonfunctional investors with limited liabilities but short-term consolidations among functional investors with unlimited liability in the two facets of financing and managing, and that they were no more than “sort of syndicated enterprises” or “different forms of capital consolidation that represented substantial forerunners, or seeds, of unlimited partnerships (gōmei-gaisha),” while Watarō Kanno, Tsuneharu Egashira, and Shigeaki Yasuoka would hold that they were sorts of anonymous partnerships of the order of Commenda financing, and that they represented the forerunners of Japan’s joint-stock companies (kabushiki kaisha). I am inclined to side with the second interpretation.

THE ŌMOTOKATA OF THE HOUSE OF MITSUI

The most general form of joint enterprise to be found in the Edo Period was the consanguineal consolidation of capital, the classical example of which was the House of Mitsui. In the case of the

More on the Mitsui ōmotokata can be found in Shigeaki Yasuoka, Zaibatsu keisei-shi no kenkyū [Study of the history of the formation of the zaibatsu], Mineruva Shobō, 1970;
House of Mitsui, the founder, Hachirōbei Takatoshi Mitsui, left Ise-Matsusaka and opened a dry-goods shop in Edo, where he made a fortune. By the time of his death in 1694 the family owned dry-goods shops and money exchanges in Edo, Kyoto, and Osaka, and were running a large number of shops. Three months before he died, Takatoshi wrote a will, in which he laid down the manner in which the family's assets were to be divided among his heirs. According to the will, his property was to be divided into 70 portions, which were then to be divided in varying proportions among his six sons and three sons-in-law (adopted into the Mitsui family when they married Takatoshi's daughters/grand-daughters). When the inheritance procedures were carried out after Takatoshi's death, however, the heirs gave a signed pledge to the eldest son, Takahira, that instead of dividing the capital funds they had inherited they would make use of them in the form of a joint asset of all the heirs.

The result was that the Mitsui business became the joint business of nine families in the one House of Mitsui. This set up was institutionalized even further in 1710, with the establishment of the ōmotokata. This ōmotokata was a legal body that had collective ownership of the total assets of the nine Mitsui families in the form of a single asset, and the nine families all had equity rights in the ōmotokata. While the proportion of each family's equity was not the same, they all had an equal voice and were entitled to participate in ōmotokata deliberations; at the same time they were each in charge of the management of this or that Mitsui place of business (they were thus functional investors), and they bore unlimited liability for the ōmotokata. In this sense the ōmotokata was a capital consolidation of an unlimited partnership type (gōmei-gaisha). The ōmotokata used the capital fund as a capital base in order to finance the operations of the money exchanges and dry-goods shops, and the shops thus financed had to remit to the ōmotokata a fixed percentage of their takings every business term.

The pledges that Takatoshi's heirs handed over in writing to the eldest son, Takahira, were valid only for one generation, but when Takahira wrote his will in 1722 (it was called the "Sōchiku Testament") he divided the capital funds into 220 portions, and at the same time ruled out for all time the possibility of any of the family members demanding to have their share given them—in other words, he made the collective control of the capital funds on the part of the ōmotokata a kind of family law. From this time on equity rights in the ōmotokata were to be held solely by the Mitsui families (nine at that time, but later increased to eleven), and no requests for a splitting of ownership rights, or their disposal, were allowed; in addition, since the general rule for inheritance in each family was single-heir inheritance, ownership became completely exclusive as well as perpetual. In describing this type of ownership of the Mitsui ōmotokata, Shigeaki Yasuoka maintains that the word Gesamteigentum, which refers to the form of "combined ownership" found in German village communities, is a more suitable term than the word Miteigentum, which refers to a more Roman-law "co-ownership." In other words, in the "combined ownership" situation of Gesamteigentum, the power of control over the object owned rests with the group of joint owners, and the right of the individual joint owners is only the right to receive the profits from the thing owned, and the position of the Mitsui families with regard to the ōmotokata took precisely this form. Even though the Mitsui ōmotokata may have been an unlimited-partnership (gōmei-gaisha) type of union, or partnership, it is necessary to note that it was not similar to the kind of union we find in modern individual-ownership unions.

THE HOUSES OF KONOIKE AND ONO

Up to the second decade of the eighteenth century the business operations of the family of Zen'emon Kōnoike, an Osaka money

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5 In fact, in 1774 a problem arose that led to the partitioning of the Mitsui enterprise, with the result that the principle of the ōmotokata controlling the families' assets as a single unified asset was for a time broken, but then in 1797 the principle was once again recognized, and ōmotokata control over all the assets revived. More on this can be found in the Noboru Nishikawa article cited in n. 4, pp. 117-27.

6 Yasuoka, Mitsui zaibatsu, pp. 32–34.
exchanger, were growing, and the accumulated capital was divided among his children and hōkōnin (servant-employees). A large number of branch and separated families were founded, and these all ran their own independent businesses. But then interest rates on the daimyō loans that formed the mainstay of the house's business dropped, and the house's assets stopped growing. This led to a gradual increase in narrower restrictions on the founding of branch and separate families, and even the businesses of already existing branch and separate families came to rank higher in priority in proportion to the closeness of their connection to the main family. The businesses of some of the branch and separate families found it difficult to operate independently, both because of the lower interest rates on loans and because of the increase in the risk that borrowers would default. The weaker branch and separate families thereupon cut back on their own operations and joined up with the main family and the better off branch and separate families to issue loans. Their participation took the form of the “subscription” described earlier; decisions as to whom to lend the money to, and on what terms, were left entirely to the main family or the other strong families, and all they were, for the most part, were simply equity capitalists. In these cases the functional capitalists, the main family or the powerful branch/separate families, did not treat the subscription money from their weaker relatives as borrowed money (a debt), but as invested money, hence we can consider such subscription loans as producing a joint enterprise by consanguineal members of the Konoike family. Since the form of these Konoike operations was that of a union of unlimited-liability functional capitalists (the main family and the strong branch and separate families) and limited-liability equity capitalist, I think it safe to refer to these as limited partnerships (gōshi-gaisha).

In the case of the House of Ono, too, we find a joint enterprise run by members of a consanguineal family. The Onos were a very wealthy merchant family that started out in Ōmizo in Ōmi, moved to Morioka, then branched out to Kyoto, Edo, and Osaka. The House of Ono included the main family of Zensuke Ono in Kyoto; the families of Sukejirō and Matajirō, his sons, and Gon’emon

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7 See Mataji Miyamoto, Ono-gumi no kenkyū [Studies on the Ono house], vols. 1 and 2, Ōhara Shinseisha, 1970.
Kagiya, also in Kyoto; and the families of Gonbei Murai, Jinsuke Murai, Seisuke Ono (the Konjirushi Izutsuya), and Zenjūrō Ono in Morioka, and the Kagiya branch shop, also in Morioka. The Ono main shop in Kyoto was formed by three families: the main family (Zensuke's), Sukejirō's family, and Matajirō's family, and the Edo outlet was a partnership union of these same three families. There also were two other partnership shops: the “Nomura Shōjirō shop in Kyoto and the “Nakaya Jinbei” shop in Osaka. The former’s name was taken from the -no of Ono and the mura- of Murai, and thus was a partnership enterprise registered under a fictitious name. Thus there was quite a proliferation of shops owned just by members of the one Ono family.

It can be seen in the specific examples presented above that, even among merchant families in the Edo Period, joint enterprise arrangements had sprung up. Of course, in the Edo Period there was no such thing as a joint-stock company (kabushiki kaisha), where all the investors have limited liability; nor had enterprise capital gone so far as to take on the form of securities; nor was readily handing investment money over to a third party yet an accepted practice. Likewise, joint investment was mostly practiced only in the case of short-term, one-off business deals, and joint enterprise in the form of a long-lasting “going concern” was almost always limited to cases based on strong territorial or consanguineal bonds. In addition, the intention behind any organization of such joint enterprises was, as is evident in the cases of consanguineous enterprises, not always the positive one of raising new capital on a large scale, but the somewhat negative one of preventing the dividing up of family assets that had already been accumulated. Despite these limitations, however, the experience gained in running such joint enterprises certainly played a role, and one that cannot be overlooked, in the diffusion of the company system that took place after the Meiji Restoration.

**ADMINISTRATIVE ORGANIZATION**

**THE HOUSE OF MITSUI**

As the scale of their operations increased, the commercial sphere expanded geographically, and operations diversified, the large merchant houses were forced to put some order into the control of
In the case of the House of Mitsui we find that, in the early days under the direction of Takatoshi, all the operations were in the grip of Takatoshi, even when the family was running both dry-goods shops and money exchanges. The Kyoto money exchange was the management center, and the dry-goods shops had to settle their accounts every six months and deposit all their earnings at the money exchange, retaining only working capital. The dry-goods shops were in effect subordinate to the money exchange, and they were run on a rough-estimate sort of budgeting procedure. After Takatoshi died, his children decided to run the Mitsui business on a joint management basis; but in order to lighten the shopkeeping burdens of the head of each of the consanguineous families, the actual running of the shops came to be entrusted to managers who acted as proxies, running the shops in place of the family heads. This arrangement next made it imperative that there be some structure in place for exercising overall control of, and management of, several shops at once. Thus it was that in 1705 a head office operating division was set up to integrate the Kyoto and Edo dry-goods shops. This operating division was independent of the money exchange division and served to integrate the dry-goods operations. Similarly, in 1719 the three money exchanges in Kyoto, Edo, and Osaka would be combined into the money exchange operating division. Later the Osaka dry-goods shop, the Kyoto Kimono Buying Shop (which specialized in purchasing Nishijin goods), the Matsusakaya (the shop in Onoda, Edo), the Edo cotton fabric shop, and the Edo Kimono Purveyor Office were added to the head office operating division, while the two raw-yarn wholesale shops were added to the money exchange operating division. The ōmotokata, which had been founded in 1710, was, as mentioned above, a structure set up to own the capital of the various Mitsui families, but at the same time it also acted as a headquarters in control of the head office and money exchange operating divisions. The Mitsui organization as it stood in 1730 is shown in Table 1.

The organ that exercised overall control over the entire Mitsui family business operation, the ōmotokata, was run by means of

\[8\]Yasuoka, Mitsui zaibatsu, p. 41.
Table 1. Organization of House of Mitsui Shops in 1730

<table>
<thead>
<tr>
<th>(shop name)</th>
<th>(legal person)</th>
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<tbody>
<tr>
<td>Kyoto Kimono Shop</td>
<td>Echigoya Hachirōemon</td>
</tr>
<tr>
<td>Edo Kimono Shop</td>
<td>Echigoya Hachirobei</td>
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<tr>
<td>Osaka Kimono Shop</td>
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<tr>
<td>Edo Mukai Shop</td>
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<tr>
<td>Edo Shibakuchi Shop</td>
<td>Echigoya Hachisuke</td>
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<td>Kyoto Ueno Shop</td>
<td>Echigoya Zenzaemon</td>
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<tr>
<td>Kyoto Kanjō Shop</td>
<td>Echigoya Hachirōemon</td>
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<tr>
<td>Kyoto Beni Shop</td>
<td>Echigoya Noriemon</td>
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<tr>
<td>Edo Silk Yarn Shop</td>
<td>Echigoya Zenzaemon</td>
</tr>
<tr>
<td>Kyoto Exchange Shop</td>
<td>Mitsui Saburōsuke</td>
</tr>
<tr>
<td>Osaka Exchange Shop</td>
<td>Mitsui Motonosuke</td>
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<tr>
<td>Edo Exchange Shop</td>
<td>Mitsui Jirōemon</td>
</tr>
<tr>
<td>Kyoto Silk Yarn Shop</td>
<td>Echigoya Kichiemon</td>
</tr>
<tr>
<td>Kyo-ma-no-chō Shop</td>
<td>Hinoya Jirobei</td>
</tr>
</tbody>
</table>


assemblies attended by the heads of all the families in the consanguineal group. These assemblies held deliberations on the
handling of funds, personnel matters related to all of the shops, and all other business details. Each shop had to settle its accounts at the end of each business term and remit to the ōmotokata a fixed contribution in return for the capital invested in it by the ōmotokata. In addition, each shop had to conduct a major settling of accounts every third year, at which time it had to deposit with the ōmotokata any profits (over and above the fixed contribution) that it had been reserving; one-tenth of this sum would be returned to it as a bonus, to be shared out among the shop's employees. The ōmotokata would accumulate these profits and add them to the capital stock, setting aside a portion to be distributed to each of the Mitsui families. In the House of Mitsui organization, therefore, none of the individual shops enjoyed a strong independence, and the ōmotokata had powerful controlling authority, along with unlimited liability.

The management organization in each place of business was adapted to the type of business the shop was in. Thus, for example, if we look at the Kyoto Kimono Shop that belonged to the head office operating division (i.e., the dry-goods line) as it was structured in 1733, we find that it was divided into three divisions: purchasing, processing, and control. In addition, the purchasing division was subdivided into four sections, according to different purchasing sources; the processing division was subdivided into three sections, for different manufacturing processes; and the control division was subdivided into four sections.9 Whereas the Kyoto Kimono Shop put more weight on its purchasing and processing divisions, the Edo Kimono Shop, where sales represented its most important business activity, had on its staff in 1690 eighty-one hōkōnin, most of whom were engaged in over-the-counter sales or in visiting daimyos' mansions to transact sales there. In the shop itself different sales sections were attended by two employees each—one clerk (tedai) paired with one young apprentice (detchi)—with a total of twelve pairs working in the shop at any one time. The visits to daimyo mansions were the job of five tedai. There was a processing division and a control division in the shop as well, but

they were not staffed by as many hōkōnin as the sales division was.\textsuperscript{10} In the Edo Cotton Fabric Shop (as of 1691) the main sections were a large division engaged in the purchasing and procurement of goods by employees who traveled to Kōshū (Yamanashi), Hachioji, Echigo (Niigata), Jōshū (Gumma), Fukushima, and Shinano (Nagano), and a large sales division engaged in selling to cotton-goods retailers and the like; the shop had only a small-scale control division.\textsuperscript{11}

There tended to be large numbers of hōkōnin in the employ of these shops in the dry-goods line. In 1733 the Edo Kimono Shop employed 223, the Kyoto Kimono Shop 142, the Osaka Kimono Shop 108, the Edo Mukai Shop 113, the Edo Itchōme Kimono Shop 73, and the Kyoto Kimono Buying Shop (also called the Nishijin Ueno Shop) 24. In the money-exchange shops, on the other hand, there were fewer people employed, so that in 1731, for example, the Kyoto money-exchange shop employed 22, the Osaka money-exchange shop 17, and the one in Edo only 12.\textsuperscript{12} This was probably due to the fact that, whereas in the money-exchange business very few deposit transactions were made and the main operations were the appraising of gold and silver and exchanging them, loans to a very limited number of clients, and exchange drawings, in the dry-goods business a wide variety of operations were involved, from purchasing stock to manufacturing, dyeing, sewing, finishing, and sales; there was great variety, also, in the types of goods dealt with; and, finally, people were needed to deal directly with customers.

As a result, the personnel organization in the dry-goods shops was different from that in the money-exchange shops. In the Edo Kimono Shop in 1731, for example, there was a multilevel hierarchy of positions, beginning at the bottom with child apprentices (kodomo), rising through ordinary clerk (hirayaku), “upper-seat

\textsuperscript{10}Ibid., p. 70. For more on the hōkōnin in the Mitsui organization, see the excellent article by Akiko Chimoto, “A Historical Examination of Mitsui’s Strategies for Promoting Long-Term Continuous Service,” \textit{Japanese Yearbook on Business History} 6 (1989), pp. 45–77.

\textsuperscript{11}Ibid.

\textsuperscript{12}Ibid., p. 242.
clerk” (kamiza), sub-duties head (ren’yaku), duties head (yakugashira), group head (kumigashira), three grades of manager (shihainin-nami, shihainin-kaku, shihainin-kaku jun’yaku), shop manager (mise shihainin), residence-owning manager (yadomochi shihainin), assistant (kōken’yaku), deputy (myōdai), motokata trainee deputy (motokata kakari myōdai), controller (motojime), and chief controller (ōmotojime). In the Edo money-exchange shop, on the other hand, there was (as of 1737) a much simpler organization than that in the dry-goods shops: child apprentice, ordinary clerk, group head status (kumigashira-kaku), group head, manager status, manager, commuting manager (tsūkin shihainin), deputy, motokata trainee deputy, signatory deputy (kahan myōdai), and controller.13

Whether one looks at the dry-goods shops or the money-exchange shops, however, it is obvious that the personnel organization that was already well established in the House of Mitsui in the early eighteenth century was one in which functions and responsibilities were clearly laid out, so that running the business on the basis of a clearly structured organization was the normal situation.

THE HOUSE OF SUMITOMO

The principal places of business within the House of Sumitomo were the main shop (main family) in Osaka, which dealt in financing, residential leasing, and tenant management; the main blast furnace, involved in copper refining; the Besshi Copper Mine as the house’s mainstay business; the Nagasaki branch shop, dealing with exporting of copper; the Edo Nakabashi money-exchange shop; the judasashi shop (where the rice stipends of retainers of the Shogunate were collected and marketed) in Asakusa; and the new rice fields in Yamamoto in Kawachi, the scene of tenant farming management. Smaller operations included the Bungomachi shop, cotton shops, sake shops, and mines in various parts of the country. The house also had clerks (tedai) stationed in Kyoto.14

The largest of these places of business were the Osaka head office and the Besshi Copper Mine. In 1770 the former had thir-

13 Ibid., pp. 251–52.
14 Hideki Hatakeyama, Sumitomozaibatsu seiritsu-shi no kenkyū [Studies in the history of the establishment of the Sumitomo zaibatsu], Dōbunkan, 1988, p. 25.
teen sections under the control of the head office manager, dealing with such matters as secretarial work and correspondence, accounting, purchasing, real estate management, and so on. It employed 23 ordinary clerks (tedai) and 13 child apprentices (kodomo), most of them in the management area. In the Besshi Copper Mine, on the other hand, as of 1769 the copper mine management division had five work-site divisions: mining, refining, charcoal making, transport relay, and shipping. It had (aside from around 3,000 miners) only 47 hōkōnin (40 ordinary clerks and 7 child apprentices), of whom 14 were deployed in the management division and the rest spread out among the work-site divisions.

THE HOUSE OF SHIMOMURA (DAIMARU)

The Shimomura (Daimaru) dry-goods shop that opened in Fushimi Kyōmachi in Kyoto in 1717 was followed by branches at Shinsaibashi in Osaka in 1726, Nagoya in 1728, and at the intersection of Yanagibaba and Anekoji roads in Kyoto in 1729; by about the year 1770 there were ten shops in existence, and by the end of the Edo Period there were thirteen shops in the three major cities of Kyoto, Osaka, and Edo. The founder of the business, Hikoemon Masahiro Shimomura, retired in 1743 on the occasion of the opening of the Edo shop, and a year after his retirement the family established a motokata system similar to the ōmotokata system of the House of Mitsui, in order to run the numerous shops in a more organized fashion. Until this point in time the House of Shimomura consisted of the Karasuma head-of-the-family household and three independent branch families: the Fushimi household, the Chōjamachi household, and the Yanagibaba household. The head family managed the general head office in Kyoto, the Edo, Nagoya, and Osaka shops, the Nishijin Ueno shop, and the Osaka and Mukai money-exchange shops, while the Fushimi household managed the Matsubara shop and the hardware shop, the Chōjamachi


16 “Besshi Dōzan no hakken to kaihatsu” [The discovery and development of the Besshi Copper Mine], Sen’oku sōkō No. 13 (1967), pp. 144–47.

17 In this section I rely heavily on material found in Daimaru nihyakugojunen-shi [250 years of Daimaru], published by Daimaru Company in 1967.
household ran the Kobeniya, and the Yanagibaba household ran the East shop (silk fabrics). The way the motokata system worked was that all the shops controlled by a household contributed funds to the motokata, the heads of all those shops held a motokata meeting at which they discussed overall management policies, and an audit was made of each shop. Thus, for example, in the case of the motokata of the general head office, it received funds from the Shimomura head family and used the funds as working capital, which it invested in the general head office, the Osaka shop, and so on; after the settlement of accounts that was made every term, each shop would have to make a 10% monthly interest payment and turn over its profits. Of these money payments, 80% of the interest payments was put into the motokata funds, and the remaining 20%, along with the profits, were given to the head family.

This motokata system was a structure for all the households in the Shimomura family to have capital ownership and overall control of their business operations, but in 1771 another structure was set up to exercise overall control of the House of Shimomura business: an ōmotokata. Still, even after this new structure was in place, in the House of Shimomura organization the head family and the three branch families enjoyed a strong independence, in that they held partial ownership in all their shops, with the result that the overall controlling power of the ōmotokata was not as strong as it was in the House of Mitsui.

The personnel system in place in the Daimaru organization was a well-developed hierarchy. Under the family head there followed the positions of genrō, rōbun, sōjime, motojime, shihai/gashira/hakimikiban, shihai/shimokinbans, ninsokumawashi, and lesser executive-level employees, while on the lower echelons the order started with shihai/toyaku, tsugi shihai, fukushihai/yakuchū, retsugashira, wakashū, kodomogashira, kashirashita, down to the detchi on the bottom of the ladder.

THE HOUSE OF TOMIYAMA (DAIKOKUYA)18

The Tomiyama family from Ise-Isawamura grew into a large business family when they went into Odawara, and then later into Edo,

18 I rely heavily for this account of the House of Tomiyama on Akira Yoshinaga, “Ise shōnin no kenkyū—kinsei zenki ni okeru ‘Tomiyama-ke’ no hatten to kōzō” [Studies
with their dry-goods trade, while in their Isawamura base they ran a financing business by issuing loans to the Wakayama clan, issuing Isawa notes (bills), and performing similar services. During the period 1615–1672 they carried on transactions involving long-distance travel, such as selling Ise tea or Matsusaka cotton as far afield as present-day Yamagata Prefecture (mainly in the Sakata area), but afterwards the family switched to concentrating mostly on the purchase of goods in Kyoto and their sale in Edo. In 1663 they opened a shop in Edo, in 1664 they opened a dry-goods shop in Kyoto, and in 1683 they opened an Ise shop. Because the scale of operations at the Edo shop increased greatly, in 1687 their loan division and real estate division were split up, and an “Edo kanekata” (Edo money department) was instituted. The Edo shop consisted of two stores, one in Honchō Itchôme, the other in Honchō Nichôme; both stores sold dry-goods sent from the Kyoto shop. In 1725 the “Edo kanekata” gained membership in the guild of ten officially licensed money exchangers and began handling government funds for the Bakufu.

The Kyoto shop was divided into 37 (!) operating divisions in 1734, and it employed 20 ordinary clerks and (chief) clerks (tedai and bantō). It handled a large variety of goods, most of which were Nishijin dry-goods materials purchased through the mediation of Nishijin wholesalers. Whereas Mitsui’s Echigoya owned a shop that bought directly from Nishijin, the Tomiyama family relied on indirect purchasing. A new purchasing shop was set up in Fujioka (Gumma Prefecture) in 1688; the following year a dry-goods shop was opened in Osaka; in 1704 a money-exchange shop was juxtaposed with the Osaka dry-goods shop, but in 1725 the Osaka money-exchange shop became independent. The main business of the Fujioka shop when it was first established was that of pawn-broking, but as the Fujioka region developed into an area specializing in the production of silk-related articles, the shop began to specialize in silk-related trade, and it became the most important source of dry goods for sale in the Edo shop.

The result of the establishment of so many new shops was that by the second decade of the eighteenth century the Tomiyama family, with its base unmoved from Ise, had become a powerful dry-goods merchant house and money changer in the three major cities of Japan. At the start of the eighteenth century the Dai-kokuya was ranked among the four largest dry-goods trading establishments in Edo, along with Echigoya, Izukura, and Iwaki. The number of hōkōnin in the Tomiyama employ around 1720 stood at: 75 in the Edo Honchō Itchōme shop, 85 in the Honchō Nichōme shop, 35 in the Kyoto shop, 10 in the Kyoto Yanagibaba shop, 45 in the Osaka dry-goods shop, 10 in the Osaka money-exchange shop, 15 in the Fujioka shop, 30 in the Ise main shop, 20 in the Ise shop run by the second son’s family, and 15 in the Ise shop run by the third son’s family, for a grand total of 340 hōkōnin. This shows what a large merchant house the Tomiyamas were.

Now, while the House of Tomiyama’s operations expanded both geographically and in diversity, in the 1720s the house fell into a business slump. Its net assets had stood at 5,956 ryō in 1673, then went on from there to grow remarkably right into the eighteenth century, so that by 1715 (so far as we can determine from historical records, the peak of the house’s prosperity) the house had net assets of 153,289 ryō, or more than 25 times what it had in 1673. By 1729, or fourteen years later, however, the assets had been halved, to 76,482 ryō, and they kept decreasing, so that in the period 1751-1763 they were down to approximately 20,000 ryō. The direct causes of this reduction in net assets are said to have been increased debts in the Kyoto shop and irresponsible bargain-sale policies adopted at the Edo shop. But the remote causes of the house’s business slump are considered to be problems connected with the system in which the house’s consanguineal families’ capital was combined.

After the eighth-generation family head, Sadatsune (Jōshin), passed away in 1657, the House of Tomiyama decided on a property inheritance scheme according to which the 200 portions that should were supposed to be allotted to the eldest son, Chōzaemon, and the 100 portions each that were supposed to be allotted to the second son, Kizaemon, and the third son, Ichirōzaemon, were in fact not allotted to them, and instead these should be invested as
the joint property of the three families. Each of the three brothers' families were deemed to have an equity in all of the families' shops, and profits would be distributed in proportion to the equity each held. This inheritance scheme was similar to the one adopted by the House of Mitsui after the death of Takatoshi, and it amounted to a policy of family-asset investment.

In the Mitsui case, however, the entire property whose ownership was to be shared among Takatoshi's nine sons and heirs was controlled completely by means of the őmotokata structure, and the number of equity owners and the equity ratios did not change for years and years; also, the equity owners did not really have the power, individually, to dispose of their equity. Thus, whereas this "combined ownership" system of consolidating consanguineal family capital was maintained over a long period of time, the House of Tomiyama arrangement did not last long, and the rules for the inheritance scheme were changed frequently.

Perhaps the reason why the Tomiyama scheme, decided upon with a view to pooling consanguineal family capital, did not work as smoothly as the őmotokata system of the Mitsuis was the existence of fierce antagonism between families. This would lead to the introduction of a new system, the "motokata-yaku system," in 1735. In this new system, three competent bantō from the Kyoto shop were appointed to the motokata-yaku, given an authority and position equal to that of the family head, and assigned to make periodic visits to all the shops, hire and fire hōkōnin, inspect the books at all the shops, supervise the family head and other executives, and in general be the persons responsible for running the businesses. Finally, another measure taken later in the House of Tomiyama was that of reducing, several times in the course of the years, the amount of money for family living expenses allotted to each family in proportion to its equity ratio.

Despite these managerial reforms, however, the house's business did not improve. In 1773 the inheritance scheme was abolished, and, from that time on, the families of the eldest, second, and third sons were each given two shops as their inheritance. Each family's shops were run independently, and the principle of a single overall control of the house's estate was abandoned. Finally, in 1808, the borrowings of the house of Tomiyama had risen to such a
huge amount that rebuilding its fortunes became an impossibility, and it had to go through bankruptcy proceedings and go out of business.

This example of the House of Tomiyama serves as an excellent contrast to the case of the House of Mitsui. Like the Mitsuis, the Tomiyamas were from the Ise area and they built up a similar system. Yet the organization that they put in place to consolidate the capital of the consanguineal families in order to maintain the house’s estate did not fit in with the strategies of business expansion and the business just collapsed and disappeared from the scene.

THE HOUSE OF NAKAI

The House of Genzaemon Nakai had its start when the founder, Mitsutake, a lad of nineteen, left the town of Hino in the Gamō District of Ōmi and went to the Kantō region to try his hand at being an itinerant medicine peddler. From itinerant peddling Mitsutake went into shop-based trading, then from trading he moved into financing and the brewing of sake, vinegar, and shōyu, then later into oil pressing and metal casting, and the family’s commercial activities expanded from the Tōhoku region all the way to Kyūshū. When Mitsutake started out in his itinerant peddling business he used a capital sum of 20 ryo, of which 18 ryo had been borrowed. It was a small business indeed! But he managed to increase his capital steadily: by 1745 he had 400 ryo, by 1765 5,000 ryo, by 1775 20,000 ryo, and by 1796 87,000 ryo.

While Mitsutake was still engaged in itinerant peddling the only shop the family had was the main family shop in Hino, but as his business activities expanded he started opening shops throughout the country. Besides shops that the Nakai family opened on their own, there were also a large number of shops that took the form of joint operations with local capital. The circumstances that occasioned the adoption of such a joint business form were sometimes the inability of a debtor to repay a loan to the Nakai family, so that the operating rights were transferred to the Nakais, or sometimes the expansion of a local merchant’s business operations, leading

19 For this section I rely heavily on Tsuneharu Egashira’s Ōmi shōnin Nakai-ke no kenkyū [Studies on the Ōmi merchants, the House of Nakai], Yūzankaku, 1965.
him to ask the Nakai family to invest some money in the project, or sometimes the opening of a shop as a branch shop when the Nakai family supported a hōkōnin who wanted to set up a separate family, with either the main Nakai family or one of the branch shops jointly investing with the hōkōnin.

Each of these branch shops or outlets had its own independent accounts and was a separate enterprise responsible for its own results, so in a sense it was like a limited partnership (gōshi-gaisha) involving unlimited liability local businessmen and the limited liability Nakai family, but generally speaking all the shops were united under the large capital umbrella of the Nakai family. As the business activities of the branch shops developed, the functions of the main family shop, as a shop, gradually waned, and no actual business activities were carried on there. The hōkōnin in the main family shop were limited, from the manager level and under, to only a handful of ordinary clerks and child apprentices. At the same time, however, the highest functions in management—control of planning, personnel, and finances—were firmly in the grasp of the main family shop.

At the peak of the House of Nakai’s prosperity the Sendai shop employed 60 people (in 1857-1859), the Osaka shop 12 people (in 1858), the Kyoto shop 13 people (in 1868). The Sendai and Odawara shops had many branches in the neighboring districts and formed clusters of outlets. These clusters referred, respectively, to the Sendai shop and the Odawara shop as their “head offices.” The two “head offices” had, in respect to their branch shops, a control function. The workplace organization at the Osaka shop was divided into the motokata department managing finances and personnel and in charge of wholesale operations, a shichikata department for carrying on financing operations, and a misekata department in charge of retailing operations. The Sendai shop was organized approximately the same way, though the retail department was subdivided a bit more. The motokata had a manager (shihaiyaku) and an assistant manager, and in each of the operation sections under the misekata there was a business manager and his deputy.

In the branch shops at the tail end of things there was no division into a management and an operations section, and the shop
Managers carried out both functions. Shops like these were subject to the control of a head office (or main shop), and the latter were under the general control of the main family. The broad outlines of management were formulated in response to needs by the main family shop and made known to the people in charge of all the shops, where the outlines were made more specific and concrete and handed over to the operations division, which would see to their implementation.

THE BUSINESS MANAGEMENT SYSTEMS OF THE MERCHANT HOUSES

SEPARATION OF OWNERSHIP AND MANAGEMENT

THE POSITION OF THE FAMILY HEAD

Among the large merchant houses that flourished after the middle of the Edo Period (such as the House of Nakai, for example), we can find a separation between ownership and management. In one respect the reason for this can be given as the family head's inability to keep operations within his span of control, as a result of such things as expansion in enterprise scale, geographical expansion of commercial activities, increasing numbers of shops, multiple types of business operations, and diversification. Still, this was not the only reason. As we can see in the cases of such houses as Kōnoike and Mitsui, perhaps the principal reason was that each of the merchant houses had taken on the character of a legal body that was independent of the personality or character of the individual head of that house.

The house codes for the House of Kōnoike (Iesadame kiroku oboe) established in 1723 stipulated that “the heir to the main family, in taking on the headship of the family, must, until such time as he passes it on to the next legitimate heir, carefully observe the house rules in the spirit of a caretaker,” and “the headship of the family must be seen as something given in trust by his ancestors.”

More on the Kōnoike house codes can be found in Mataji Miyamoto, “Kōnoike-ke no kakun to tensoku” [The house codes and shop regulations of the House of Kōnoike], in Osaka no kenkyū [Studies on Osaka], ed. by Mataji Miyamoto, vol. 3, Seibundo, 1964, and in Matao Miyamoto, “Kōnoike no keiei rinen” [The Kōnoike management philosophy], Kikan Nihon shisōshi [History of Japanese thought quarterly], No. 14, 1980.
the headship of the family and the family estate were not conceived of as things that belonged to the head individually, but as "something given in trust" by the ancestors that was meant to be passed on to succeeding generations—in other words, as things that jointly belonged to the multigenerational, consanguineal group known as the ie (house). Also, the role of the current head was stipulated as being no more than that of "a caretaker," in other words, someone whose turn it is to be on duty until he hands things over to the next person.

Consequently, the authority of a current family head in management matters was naturally limited. The House of Kōnoike guidelines of 1716 stipulated that "if it should happen that a family head's conduct or morals are evil, he is to be disinherited and someone else is to be sought as the heir."21 If, in such a case, a collateral family's son or a hōkōnin had to succeed to the headship of the family in lieu of a direct male offspring, the authority of the individual head to dispose of assets inevitably would be weakened even further. Thus it was that the House of Kōnoike decided from the mid-1730s to lay down a strict framework within which the individual heads could exercise their authority to dispose of assets or make management decisions, with the result that the current heads became but a single organ within a "House business" that had the nature of a "going concern."

In the House of Mitsui, as mentioned earlier, agreement had been reached that the consanguineal assets were to handled by the ōmotokata as a joint capital. Formally, the owners were the nine consanguineal families that held equity in the ōmotokata, but firm restrictions were imposed on their use of their ownership rights. Even though the foundation for the consolidation of capital lay in blood ties, this was no more than a fictitious blood relationship based on "having the same ancestor." It would be overstating the case to say that there really was not any owner, but it was an invisible, conceptually felt "house" that had "combined ownership" of Mitsui.

Rizaemon Minomura, the bantō who had worked on the reform of the House of Mitsui administration in the early Meiji Period,

21 Mataji Miyamoto, "Kōnoike-ke no kakun to tensoku," p. 60.
had to following to say when he took over as ōmotokata: “The assets of Mitsui ōmotokata have been handed down from generations of ancestors, so that they are not the property only of the present Mitsui families, but rather belong to Mitsui as a whole, including the employees, and the Mitsui family members and I, the bantō, have to work together to preserve these assets forever.” Minomura clearly was of the opinion that the Mitsui business was not a family enterprise of the House of Mitsui but a legal person.

Similar house rules existed among the Kyoto merchant houses, too. For example, the House of Hikobei Nishimura in Kyoto had: “Whether a house is to rise or to fall, all depends on the attitudes of the descendants. The one who is head of the family must not think of the family name and estate as something that belongs to him, but see them as things left to his care and management by his ancestors, and he must teach his descendants not to sully the family name.” And the House of Mukai of Kyoto had: “The headship of the family, even though it may not involve a large estate, must not be thought of as something that belongs to the head himself. Since he is only taking care of—guarding, as it were—ancestral things, he must be unflagging and unstinting in his efforts to take good care of the house’s business.”

We can liken the position of the family head of an Edo Period merchant house to a runner in a long-distance relay race, and the house’s estate to the sash the runner has over one shoulder. The objective of the relay race is to see how the sash can be passed on from one runner on the team to another and arrive at the goal, and each runner is only somebody who is running the section of the race to which he is assigned. It may be fine for a runner to run hard and set a new record, but he is not allowed to run more of the distance that the section allotted to him. In the Edo merchant houses, likewise, the first objective was the taking over and carrying on the sash of the house estate, and the setting of a personal record by the current family head was not a primary consideration.

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22 S. Yasuoka, Zaibatsu heisei-shi no kenkyū, p. 276.
23 Masao Adachi, Shinise to kakun [Shops generations old, and house rules], Tōyō Bunkasha, 1974, p. 41.
24 Ibid.
The heads of the merchant houses all assumed the names of the founders of their house’s line. In the House of Kōnoike the name was “Zen’emon”; in that of Mitsui, “Hachirōemon”; in that of Sumitomo, “Kichizaemon.” These were not their personal names but the names of the main, or head family, shops, the names of the legal persons. The heads may have names given to them as children or yet other names when they retired, but as long as they were family heads they were called by the legal person name. This indicates the extent to which a family head had to suppress his individuality, had to be a faceless owner.

Under such a system of ownership, it must have been very difficult to exercise control or management on the basis of ownership. What is more, when the “house” was conceived of as consisting not only of the family head’s own family but also of the consanguineal families and even including the hōkōnin, then the authority over management of the family head, who was the formal owner, must inevitably have been very weak. Thus the handling of the house’s estate and the decision making in business operations were entrusted to managers (shihainin) and chief clerks (bantō). Kökei Ban, an Ōmi merchant and a former Japanese classical scholar, wrote that, “Since the manager of a shop has the role of taking care of the shop in place of the family head, his is an extremely important position” (in Shuju kokoroegusa [Hints for masters and servants]), and the “Account of Osaka Commercial Practices,” an early Meiji survey of the practices followed by the Osaka merchant houses in the Edo Period, states that “a manager is like a senior statesman, such that the children and the youth apprentices and everybody else in the shop, yes, even the family head, have to comply with his authority. If something very seriously affecting the shop should occur, he has the power to remove even the family head from his position.”

It was Berle and Means who proposed that a separation of ownership and management occurs in joint-stock companies when

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25 Mataji Miyamoto, Kinsei shōnin ishiki no kenkyū [Studies on kinsei merchants’ attitudes], vol. 2 of Miyamoto Mataji chosakushū [Collected writings of Mataji Miyamoto], Kodansha (1977), p. 228.

large shareholders capable enough to control the enterprise disappear from the scene as ownership is dispersed; among the Edo Period merchant houses, however, a separation of ownership and management took place even when the ownership remained a closed affair.

DELEGATION OF MANAGEMENT TO HIRED MANAGERS

In this section I wish to look at how management was entrusted to hired managers in the merchant houses of the Edo Period, and I shall do this by taking up a few concrete cases.

In the House of Konoike a san’yōchō (counting book) was written up every year, from 1670 to the late 1860s, to serve as an accounts ledger. The chief clerks (banto) and others who drew up this ledger annually presented it, under their joint seals, to the family head, and after all accounts were settled at the end of the year they reported the results to the investors: the family head and the Konoike family members. The san’yōchō was, therefore, if we look for its equivalent in present-day joint-stock companies, something like a business statement or a securities statement, by which managers report to the shareholders the year’s results and the state of the enterprise’s assets. Another point to note is that the san’yōchō entered the living expenses of the house’s families as expenditures under the item “incidental expenses,” thus ensuring that working capital and living expenses were not indiscriminately mingled together. Also, after the establishment of the house constitution, the position and authority of the family head were, as mentioned earlier, severely limited.

In the House of Mitsui each of the nine families that owned the ōmotokata was in charge of some shop or shops, but the relation between the shops and the families was not a fixed one: the ōmotokata was always the owner of the shops, and the nine families only held them in keeping for the ōmotokata. In addition, the actual running of the shops was being entrusted to managers. Now, if they just left the management of the shops completely to managers, it could happen that some managers might take arbitrary actions, so to have overall supervision and prevent such things from happen-

ing, the position of motojime was created in the ōmotokata. Those who held the position of motojime ranked at the very top of the hired (salaried) managers, and they received preferential treatment even in the distribution of profits. Keeping in mind that the House of Mitsui practice was to distribute to the hōkōnin one-tenth of surplus profits, we can appreciate how privileged the motojime were when we see that, in the distribution of profits for the head office in the period 1711–1713, 30% of the net profits distributed to the hōkōnin was allotted to the three motojime. In the case of the House of Mitsui, too, there was an accounts ledger drawn up in the ōmotokata; the bookkeeping for this “ōmotokata kanjō mokuroku” was the duty of ordinary clerks (tedai), and when it was ready the results were always duly reported to the House of Mitsui families.

Among the Kyoto merchant houses was the Kashiwabara family, which had, from the late seventeenth century, opened shops in Edo that sold paper, Kyoto specialties, cotton, lacquer ware, and other goods. They owned three shops in Edo, each with a different name, to sell cotton, paper, and lacquer ware separately. The main shop was, right from the start, located at Toiyamachi in Kyoto, and the family head resided there, going to Edo only once or twice a year and entrusting the running of the Edo shops to bantō. This practice was very common among the Kyoto merchants who owned shops in Edo.28

The Jirobei Hasegawa family of Ise-Matsusaka, who opened a cotton wholesale shop in Edo in 1674, and the Magozaemon Kawachiya family, merchants from Wakayama who had opened a sugar wholesale shop in Edo in 1782, followed a similar practice. The family heads did not reside in Edo but in their home towns, and their Edo shops were run by managers known as “mise azukarinin” (lit., shop keepers).29 The title seemed meant to express the idea that the manager was acting as the family head’s proxy or representative.

28 For more on the House of Kashiwabara, see Masao Adachi, “Kinsei Kyōto shōnin no shōgyō keiei ni tsuite—Kashiwabara-ke no tensoku yori mita Edo-ten no keiei hōshin oyobi shōnin ishiki ni tsuitee” [On the commercial management of kinsei Kyoto merchants: managerial policies and merchants’ attitudes as seen from the shop regulations of the House of Kashiwabara], Ritsumeikan keizaigaku 5, no. 5, 1956.

In the House of Tomiyama from Ise a *motokata* system was introduced in 1735 in the hope that it would turn around the house’s business slump and look into the disordered state of its management. This *motokata* had the same status as the family head, and acted for the family head and the other families in the hiring and firing of *hōkōnin*, supervising operations in each of the shops, and even in having managerial authority to superintend the family head. Under the leadership of the *motokata*, administrative reforms were enacted from as early as the next year, 1736, leading to such changes as a reduction in the living expenses allotted to the Tomiyama families.\(^{30}\)

Control of the branch shops owned by the Ōmi merchants of the House of Nakai, which had opened branch shops throughout the country, did not follow a single pattern, but the *motokata* in Sendai was entrusted with wide-ranging authority by the head family, and he in turn transferred authority to the various branch shops. The Sendai *motokata*’s settlement of accounts included not only his own operating results but also the accounts of the branch shops and pawnshop under his charge. According to the records, the branches to which authority had been entrusted were visited periodically by the family head; when he arrived at a branch shop he would inspect all the shop’s books, gather the employees and read to them the regulations contained in the house rules, and explain the fundamental management policies. Where reform was needed he would decide on courses of action and have the employees pledge to comply with these faithfully.\(^{31}\) In the case of the House of Nakai, then, even though management was entrusted to the local managers, it would seem that, because the house did not have as long a history behind it as the houses of Mitsui and Kōnoike did, the family head held the real authority.

We can see from the above instances, then, that the practice of entrusting management to high-ranking hired managers such as *shihainin* or *bantō* was a common occurrence among the large mer-

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\(^{30}\) Akira Yoshinaga, “Ise shōnin no kenkyū” [see n. 18 above], p. 83.

chant houses of the Edo Period. Still in all, we probably have to say that what was entrusted to the *shihainin* or *banto* was generally the routine daily control of operations, and this did not include strategic decision making. Also, when the management was entrusted to *shihainin* or *banto* managers, in many of the houses there were enacted at the same time "shop regulations" or a "shop system," in which rules were laid down in regard to: maintaining and using the house's estate, inheritance, the keeping of accounts, supervision of *hōkōnin* work, what goods were to be handled by the shop, etc. The hired managers carried out their routine daily control of operations on the basis of these previously determined rules, so that as a result their discretionary power was limited.

In addition, the hired managers of the Edo Period were, in most cases, people who had received training in their respective merchant houses from their childhood, had shown loyalty to their family heads, and had been able to reach their position only after having been accepted as a quasi member of the family, so it would have been difficult for them, psychologically, to act independently of the traditional management policies of their respective merchant houses.

Furthermore, there was monitoring of the hired managers. As can be seen even in the few cases we have seen above, family heads with the final say in personnel matters inspected the performances of managers by means of visits to shops and inspection of the account books. We can see this in the "regulations" of the Hatta family, castle-town merchants in Matsushiro in Nagano, in which we find the prescription that, "if the director or manager acts improperly, or with favoritism or the like, he is to be charged with this in writing." And in the house rules of the Kichiemon Chikiriya family, dry-goods merchants from Kyoto, we find: "If someone has an opinion or suggestion, be it about the family business or about anything else, be it the opinion even of a youth apprentice, if it is presented in writing, it is to be made known to all staff of the shop on the regular meeting day. Even if it concerns some complaint against the manager, there must not be any ill feelings

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caused by this complaint.” Thus some families even had systems in place for internal lodging of complaints.

DECISION MAKING BASED ON A DISCUSSION SYSTEM

To forestall arbitrary decisions by family heads or managers (shihainin or bantō), most of the merchant houses made much of decision making on the basis of a discussion system. The house rules of the Mitsui and Kōnoike houses contained articles that fixed a certain day of the month for a meeting and that stipulated that important matters were to be decided by mutual discussion. These meetings were also the occasion for a reading out of the house rules and shop regulations before the assembled company. In the house rules of the House of Sumitomo’s Nagasaki shop there even was a prescription that the prices of the goods handled in the shop were to be decided by mutual discussion.

The house rules of the Kichiemon Chikiriya family of Kyoto stipulated that “on the fifteenth of every month the tedai of all the shops will hold a meeting and discuss the family business,” and it was a management policy that the tedai of the branch families as well as the tedai from the consanguineal families’ shops would get together to discuss and decide things. And decisions with regard to starting up new operations were decided in a council composed of retired bantō acting in an advisory capacity and current managers (shihainin); the matters decided by them had to be complied with by the family head and all other members of the family.33 The system for making written submissions that this same family established probably not only served as a mechanism for lodging complaints but also as a means of eliciting ideas from the staff in regard to business strategies.

The Seibei Ichida merchant family from Ōmi followed a similar practice. According to their 1775 “Takasakiten sadame shitagaki” (Draft of regulations for the Takasaki shop), before a new initiative was taken a mutual discussion had to be held that included the participation of the staff of the shop, and all were to abide by the

final decision taken by the main family. According to another draft made later that same year, a meeting of the whole shop was held regularly every month, and efforts were made to ensure that there was an exchange of opinions on the running of the shop and that all the staff had a mutual understanding of others’ views.34

In the Ômi merchant house of Nakai as well, while the broad outlines of policies for running the family business were decided by the main family, when it came to planning policy implementation within the individual branch shop there was a “consultation” system in place, involving the managerial staff of the shop.35 Something similar was done by the Nagoya merchants, the Mizuguchiya; they encouraged their employees to express their opinions, in the words: “If something occurs to anybody, the matter should immediately be brought up, and, if after serious consideration it be deemed reasonable, even if coming from the mouth of one of the children apprentices (kozō), the suggestions should be taken to heart and the wrong righted as soon as possible.” And, as a matter of fact, when that family’s business slumped in the first two decades of the nineteenth century, suggestions came forwards from the employees in regard to the merchandise they were marketing.36

ACCOUNTING METHODS AND FINANCIAL MANAGEMENT

THE DEVELOPMENT OF MERCHANT HOUSE ACCOUNTING

Commercial ledgers originally had the nature of memoranda in regard to daily transactions, but the development in merchant house business operations was accompanied by a differentiation between primitive records and adjustment records. Ledgers for sales and purchases, ledgers to cover all transactions (daybooks), and other ledgers were produced, and by means of them it became possible to grasp the state of a shop’s transactions with customers.

34 Masahiro Uemura, “Ômi shōnin Ichida Seibei-ke no keiei” [The management of the Ômi merchants, the Seibei Ichida family], Shiga Daigaku Keizaigaku bu Shiryōkan kenyū kiyō 21, 1988, pp. 95–97.

35 T. Egashira, Ômi shōnin Nakai-ke no kenkyū, p. 813.

36 Seiichi Andō, Kinsei toshi-shi no kenkyū [Studies on the history of kinsei cities], Seibundō, 1985, p. 166.
The ledgers of the merchant houses varied in their format from shop to shop, and many shops had their own codes for entries in the ledgers.

There used to be a general tendency to believe that the ledgers of Edo Period merchant houses mostly recorded a portion of the daily transactions and loans, that even if they used several ledgers these latter had not advanced beyond the single-entry stage, that they were each unconnected with the others, and that none of them arranged the transactions that took place within a certain period so that assets, debts, losses, and profits could be seen at a glance. And yet, as research on the accounting methods of the merchant houses has progressed, it has become clear that accounting methods that had a double-entry structure had actually been developed to a considerably extent among the large merchant houses.

Eiichirō Ogura, who has left us numerous works of research in the history of Edo Period accounting, has listed the stages in the process of development in accounting methods used by kinsei merchant houses.\(^{37}\) 1) First preliminary stage: memorandum-type ledgers, in which credits and debts are entered and some calculations are made of losses and profits, but there is no systematic calculation of assets; 2) Second preliminary stage: net assets are calculated, and there is evidence of the formation of a concept of capital, but not much importance is attached to calculating losses and profits; 3) First stage: while there are capital-calculating calculations of results (in the order of balance sheets) and profit/loss-calculating calculations of results (in the order of statements of profits and losses), more weight is attached to the former, and the latter is usually excluded from the statement of accounts; 4) Second stage: capital-calculating calculations of results and profit/loss-calculating calculations of results are combined, and a complete double-entry structure is in evidence. In the next few subsections I want to take up a few examples of second-stage ledgers in merchant houses.

THE SAN’YŌCHŌ OF THE HOUSE OF KÔNOIKE

This ledger, the san’yōchō, which was the annual account ledger for the House of Kōnoike from 1670, is formally divided into three parts. The first part, “Loans/Money Possessed,” records the balances remaining on loans to daimyos and merchants, the money due from sales of goods, and the cash balance, and finally totals the above items to calculate the total assets (a) at the end of the business period. The second part, the “uchioikata” (liabilities), is logically composed of two sections. In the first section are recorded first of all any loans (or investments) received by the main family from any member of the consanguineal family, as well as money deposited by merchants, warriors, or a daimyo’s city storehouse; next, the above items are totaled in order to calculate the debts (b), and (b) is subtracted from (a), to give the amount of “money possessed,” (c). This sum (c) represents the net wealth at the end of the period, and in bookkeeping terms can be thought of as equivalent to the concept of capital. In bookkeeping terms this ends the first stage, and it presents the form (a slightly odd form, to be true) of a balance sheet.

The second section of this second part begins by entering the net wealth that existed at the beginning of the period, then enters the income that was taken in during the period, and adds these two items to produce the sum (d). The third part, “uchiharaikata” (expenditures), consists of the losses and expenses incurred during the period, (e), and subtracts (e) from (d) to produce (f). This (f) also represents the amount of “money possessed,” and, being the same as (c), represents the net wealth at the end of the period. The above processes can be expressed in the following two formulas:

1. end-of-term assets - end-of-term debts = end-of-term net wealth (money possessed)
2. start-of-term net wealth + this-period income - this-period expenses = end-of-term net wealth (money possessed).

In other words, in both formulas there was taking place a double-entry balancing of the books in connection with the end-of-term

38 For more on the Kōnoike account-keeping methods, see S. Yasuoka, Zaibatsu kei-sei-shi no kenkyū and Yōtarō Sakudō, Kinsei hōken shakai no kahei/kin'yū kōzō [Currency/money structures in kinsei feudal society].
net assets. When the san’yōchō began to be used in 1670 the House of Kōnoike had become one of the ten licensed money exchang-
ers, and it was a time when the house was shifting the focus of its business from merchandise transactions towards financing opera-
tions, mostly in the form of daimyo loans. It can be surmised that the establishment of a systematic method of keeping its books was closely related to such a major change in business operations. In the san’yōchō the weight of entries was placed on loans and borrow-
ings and on the turnover of capital, and what stands out are the fact that calculations of profit and loss for the period are not car-
rried out clearly, and the fact that there is no entry for fixed assets. But these facts probably are expressions of the distinctive characteristic of this house, which was a money lender relying mostly on owned capital.

The House of Mitsui’s Ōmotokata Kanjō Mokuroku39

The ōmotokata kanjō mokuroku (ōmotokata accounts ledger) of the House of Mitsui was established in 1710, and it shows a marked evolutionary advance over the san’yōchō of the House of Kōnoike. The key portion of this inventory is made up of a balance sheet section with “moneys deposited” and “moneys loaned” headings, and a statement of profit and loss section with the headings “incoming” and “outgoing,” and double calculation takes place with regard to profits and losses during the period. Since it was the settlement of accounts for the ōmotokata, it represented the combined calculations for all the Mitsui shops, main and branch. But each shop also had to carry out its own independent settlement of accounts, and it seems that the policy adopted was to combine only the profits and losses of these accounts.

In that the concept of profit and loss during the period was quite clear, and that even entries for fixed assets were made when calculating separately end-of-term net wealth, this “accounts inven-
tory” represented quite an advanced bookkeeping method. These features probably reflect the fact that this method was established in the year in which the unlimited partnership type of organization

39 For more on this accounting system see Noboru Nishikawa, Mitsui-ke kanjō kanken [House of Mitsui accounting], Hakutō Shobō, 1993 and the works of S. Yasuoka and T. Kagawa cited in n. 4 above.
(i.e., the ōmotokata) was formed by the nine owner families.

**THE HOUSE OF NAKAI'S TANAOROSHI MOKUROKU**

The accounting methods used by the Genzaemon Nakai family of Hino in Ōmi were established sometime around the middle of the eighteenth century. They used separate ledgers for different accounts and one daybook as the basic ledger for a comprehensive account, and from these they produced a statement of accounts called the *tanaoroshi mokuroku* (inventory general ledger), which consisted of a balance sheet portion and a statement of profit and loss section. Eiichirō Ogura made a painstaking study of the house's accounting methods, and he concluded that theirs should be called a multilegger double-entry bookkeeping method, and he singled out as its distinctive features the very clear (from a bookkeeping standpoint) concept of capital (seen in the term *mōshō-kin*), the high level of its method of calculating inventory and computing the earnings and expenses for a period, the double entering of transactions, and the fact that it was a consolidated settling of accounts of the main office and branch shops that had, built into it, management criteria for branch-shop management and a system of responsibility for results. The time when this accounting method was adopted by the House of Nakai was a period when the house embarked on its program of opening up large numbers of shops, and it is believed that this accounting method was introduced as a means of exercising overall financial control of the many branch shops.

Besides these large merchant families, other merchant families also started using accounting methods that had a double-entry structure—among them the House of Shimomura, the House of Hasegawa, the House of Ono, and the House of Tanabe of Izumo. If their methods are compared with the Western double-entry bookkeeping method, they would in most cases show up with some technical defects or rough spots, but in principle they were quite advanced as far as double-entry bookkeeping was concerned. Needless to say, this does not mean that their methods are connect-

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40 For more on the House of Nakai accounting methods, see E. Ogura, *Ōshū Nakai-ke chōsūhō no henkyū* [Studies on the accounting methods of the Ōmi House of Nakai], Mineruva Shobō, 1962.
ed in a straight line with modern bookkeeping, but they are noteworthy because they prepared the soil for the general spread of modern bookkeeping methods.

**FINANCIAL MANAGEMENT**

In the House of Mitsui, every place of business carried out its operations with capital provided by the ōmotokata, and every six months each shop deposited a fixed sum with the ōmotokata. Working capital was also loaned to each shop, which paid the ōmotokata interest on it every six months as well. What remained of its profits after these payments to the ōmotokata could be held in reserve by the shop, and every three years it would settle the accounts and deposit all its profits with the ōmotokata. One-tenth of these would be allotted to bonuses for the employees, and the Mitsui families would receive from the ōmotokata a sum fixed in proportion to the amount of their investment in the ōmotokata.

The House of Nakai was a similar case. The main family provided investment money (mōshōkin) to each of the shops. Each shop, after calculating its net wealth (accordingly, not only its mōshōkin but also the capital accumulated by the shop), was expected to present the main family with a fixed-rate share of that sum (which at first stood at 8% but later was lowered to 6%). This was a sort of standard profit imposed on the manager of each shop; those profits that exceeded this level were referred to as "tokuyō" (clear profit), and it was only in these profits that the local investors and the employees would share. If a shop incurred a loss and was unable to present the main family with the fixed share, the shop was not allowed to dip into its past tokuyō reserves to make up the deficiency. Instead, the deficiency was rolled over to the next term and would have to be paid then. A similar arrangement was followed in regard to any exchange of funds or goods between shops; the shop that received goods or funds from another shop had to pay the latter a fixed rate of interest. Thus there was within the House of Nakai a clear awareness of interest cost, even in internal financing transactions, and financial management was rigorous. It no doubt indicates the degree of fierce attachment there was to capital accumulation.

There was one method of distributing profits used by some Edo Period merchant houses that was quite distinctive. Called the
“mittsu-wari” (three-way split) system, it was used by the Ise merchants, the House of Hasegawa; the Ōmi merchants, the Jingorō Nishikawa family, the Gin’emon Kobayashi family, and the Chūbei Itō family; the Osaka merchants, the Kichirobei Yamaguchi family, and others. It consisted of dividing up (not necessarily in equal portions) the profits of a term into the main family’s share, a reserve fund, and the employees’ allotment; in this way not only did it increase internal savings and effect a nondiscretionary capital accumulation, it also treated the employees as partners in the enterprise and tried to stimulate their desire to work hard and raise their awareness of business return. This three-way split system would be passed on to various enterprises in the Meiji Period: trading and money-exchange companies, the Yamaguchi Bank, the Kōnoike Bank, the Sumitomo Bank, and similar enterprises.

LABOR RELATIONS IN THE MERCHANT HOUSES

THE HŌKŌNIN SYSTEM

The mainstay of the Edo Period merchant house workforce was the kogai hōkōnin (apprentice trained from young boyhood) who served from the time he began his detchibōkō (youth apprenticeship) in the merchant house. In almost all cases in which someone set up a separate family after going up the ranks through tedai to shihainin, that person had served from boyhood, whereas someone who had joined the merchant house after the genpuku ceremony (celebrating a boy’s attainment of manhood, usually at 17 or 18) would in most cases not be entrusted with important business matters. This was so true that the hōkōnin system of the Edo Period is in general referred to as the detchi system.

In general, the age at which a hōkōnin began service as an apprentice was in the early teens; when a boy was to go out for apprenticeship, it was the normal practice for a hōkōnin surety certificate to be submitted to the head of the family where the

41 Regarding the “mittsu-wari” system, see Kyūichi Takahashi, “Mittsu-wari’ seido no shiteki kōsatsu” [Historical considerations on the "mittsu-wari" system], in Mataji Miyamoto, ed., Kamigata no kenkyū [Studies of the Kyoto-Osaka area], vol. 3, Seibundō, 1975.
apprenticeship would be served; this certificate would be sealed jointly by the boy's guardians and a witness (guarantor). On the surety certificate would be written the boy's place of origin, his family background, the conditions of employment, the term of service, and so on. If the hōkōnin were to be guilty of misconduct, the certificate would stipulate, the guardians and witness would make compensation. Because there was a Bakufu regulation banning terms longer than ten years, usually a ten-year indentured apprenticeship was the form taken, but it was not unusual for this to be changed later, and for the period to be extended to much longer periods.

The places of origin from which hōkōnin were accepted were limited, depending on the shops. In the case of the House of Hasegawa, who were merchants from Ise with shops in Edo, of the 114 hōkōnin in their employ in the 1820s, 94% were from the Ise area. The Ōmi and Ise merchant families thus tended to employ people from their own districts. In the case of Mitsui, however, for the Kyoto shops they would not employ anybody who was from Kyoto or from anywhere within a 95-kilometer radius of the city, while they assigned to the Edo shops people from Kyoto or from within an 18-kilometer radius of the city. By having their apprentices work in places far from their home towns they no doubt aimed at widening their horizons and helping them grow into mature merchants.

While it often happened that hōkōnin were taken in through personal connections, it was also common for them to be taken in through an employment agent. Some shops would not accept eldest sons, because of the possibility that they would have to leave in the middle of their apprenticeships in order to take over a family headship, and sometimes, too, shops avoided taking on relatives' or in-laws' children, because they wanted to preserve the secrecy of their business operations. Among powerful merchant houses like the Mitsui and the Kōnoike it was common to employ the children of trusted branch or separate families; these were referred to as fudai hōkōnin (hereditary hōkōnin). In the merchant house it was

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42 See the work by M. Kitajima cited earlier (n. 29).

almost exclusively boys who were taken on as hōkōnin to work in the businesses, and girls were almost never employed for such work. For work in the kitchens or for housework, however, girls might be employed, but not necessarily: it is claimed that in the Edo and other shops of Ise merchants even the cooking was done by boys.

The ranking of hōkōnin positions was commonly referred to in terms of detchi (youth apprentice), tedai (ordinary clerk), and banto (chief clerk). On the basis of a seniority-system principle tempered by a tinge of a rewarding-abilities philosophy, each of these grades had many subdivisions. I have already explained something about the ranks in the Mitsui and Shimomura houses in an earlier section. A hōkōnin's rank showed his status in the shop, and his name and attire were decided accordingly.

The youth apprentices were commonly called kodomo (child), kozō (youngster), bözu (boy), or similar terms. They were assigned all manner of odd jobs in the shops and households; they also received lessons in reading and writing and the use of the abacus. Except for some clothing issued at the Bon Festival and the end of the year and a small amount of pocket money, they received no pay for their work. But as a general rule the family for which they worked assumed all expenses for their daily food, clothing, accommodation, and the care of their health. In the Mitsui, Kōnoike, and other merchant houses these youth apprentices entered service between the ages of 12 and 14.

Once a boy had his genpuku ceremony at 17 or 18 and became a tedai, he gradually took on greater work responsibilities. When he was ready he was allowed to engage in sales, he received a fixed salary, his name and attire were changed, and he began to be treated as a full-fledge shop employee. Shops differed in their practices, but the period for which a young man would be a detchi and a tedai would last roughly from fifteen to twenty years, during which time the boy received training in all facets of the business.

In the House of Mitsui the average time it took to become a kamiza ("upper-seat clerk") was from ten to fifteen years, and from twelve to eighteen years to become a humigashira (group head). For the first ten years, or half the period of time spent as a kodomo and tedai, the young man was put to work in a different post every six months or a year; not allowed to get settled in one place, he was
given a variety of on-the-job training, until he became familiar with every aspect of business in the Echigoya. In the latter half of his training as a tedai, he was assigned to work exclusively in one determinate post, where he would be put in charge of key operations. Once promoted to kamiza he would hold down three or more different types of jobs at once, but as soon as he became a manager his only jobs would be control and supervision.

By means of such job rotation a person's aptitude and capability could be judged over a long period of time, and the person would either ascend the ranks on the basis of seniority and capability, or be weeded out. This was the practice of most of the merchant houses.

When a tedai's apprenticeship ended the young man would become a banto. Once a banto or a shihainin, he was given great authority with regard to the business and administration of house affairs. Sometimes he would be given monetary compensation over and above his salary; in the case of the House of Hasegawa the managing staff were advanced capital money or given entitlement to bonuses or the like, which would be saved up as part of the shop's reserve funds, then handed over at the time of retirement. At Mitsui the banto or shihainin would be given the authority to lay in stock on his own responsibility, up to a maximum sum corresponding to his position, and any profits or losses resulting from this would be added to or deducted from his retirement allowance. In this manner the upper ranks of employment had built into them, along with seniority, a principle of reward-for-ability as well.

In the case of the Ōmi and Ise merchants, a "going home" was practiced. In accordance with the number of years that had passed since the young man had entered the shop, he was allowed a certain period of leave to return to his family. There would be a "first going home" after 7 to 8 years of service, and a "second going home" and a "third going home" a few years apart after more years in service. These were landmark events in the apprenticeship and were usually accompanied by changes of rank and promotion within the shop. And because, at the times of such a "going home" those who were unsuitable were politely told they need not report

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44 For more information on this "nobori," or "going home," custom, see M. Kitajima, *Edo Shōgyō to Isedana*, and Mitsui jigyō-shi, *Honpen*, vol. 1.
back, we can say that there definitely were some elements of a philosophy of rewarding ability at work in the system, and not just a seniority principle.

**THE SEPARATE FAMILY SYSTEM**

When a young man served out the fixed period of his *detchi* and *tedai* apprenticeship, he was released from the obligation of living in and was allowed to have his own household; he became a *yadomochi* (householder). This would mark the end of his service as a live-in employee. The question is, how many of those apprentices who started out as *kogai hōkōnin* actually reached that goal?

Between 1696 and 1730 the Mitsui Kyoto main shop took on 239 *kodomo*. When we follow their later careers, we find that 28 of them died during their service, 19 left because of illness, 7 voluntarily asked to leave, 77 were dismissed, 30 retired somewhere along the way in an arrangement satisfactory to both sides, for 65 we do not have details, and 13 rose to the rank of *tsūkin shihainin* or higher (in other words, only a little over 5% of those who were taken on).45 It was roughly the same in the House of Kōnoike: from 1719 to 1741, those who retired from the service along the way numbered 51, 8 died, and 3 went into an adopted-son arrangement; 32 were discharged, 27 of them by dismissal. In the Kōnoike system a young man could expect to be in some sort of semimanagerial role at 28-29, be allowed to marry and have a separate family at 32-33, and, if he was an industrious worker, be allowed to set up his own business at 42-43. But during that period from 1719 on, less than 10% of the young men taken on by the Kōnoikes were helped to become established as separate families.46 Even though it was professed to be a lifelong-employment system, in actual reality it was very difficult to make the long climb from *detchi* to separate family.

When one became a separate family one received from the main family a retirement allowance, some capital, and household furniture and appliances. In the House of Mitsui, a person who had

45 Nobuhiko Nakai, “Mitsui-ke no keiei—shiyōnin seido to sono un’ei” [Mitsui management: the employment system and how it was run], *Shakai keizai shigaku* 31, no. 6, 1966.

46 S. Yasuoka, *Zaibatsu keisei-shi no kenkyū*. 
served many long years, especially an employee who had been a great asset to the business, was granted the use of the name “Echigoya.” This was a form of “goodwill sharing.”

To prepare for the granting of a retirement allowance and some capital, the merchant houses had in place a retirement allowance fund system for its employees. In the Kônoikes it was a “common fund,” for the House of Hasegawa it was a “capital allocation fund,” and so on: each had its own name for it. In the House of Kônoike, when a young man became a tedai his annual salary was 300 monme of silver, and when he became a trainee shihainin or higher, the standard annual salary was on the order of from 300-400 monme to 2 kanme in silver. In addition, from a certain age on he was given bonuses, which were kept in reserve for him by the main family and given to him, with interest added, at the time of his retirement.

Many of the men who set up separate families continued to serve their employers, and even those separate families that set up their own shops. The main family not only might impose a regional restriction on the items of business it could undertake, in the case of the Mitsuis even inheritance might not be left to the discretion of the separate families, and they sometimes were obliged to accept as heirs hokônin from the main family. The setting up of a separate family was not just done for the sake of offering a faithful hokônin the opportunity for independence; it was also a matter of joining a non-blood-relative to the consanguineal group under the name of “separate family,” with a view to obtaining the benefits of that person’s energies and cooperation, for the maintenance and prosperity of the main family. In general, being able to set up a large number of separate families was thought to indicate the status of that house; when business stagnated, as in the case of the House of Kônoike, the house was unable to help establish separate families.

One further point: the system we have seen above, in which kogai hokônin underwent a long period of training, to then participate in the key operations of a shop, finally to become independent, was a model of the system used in the large merchant houses

47 N. Nakai, “Mitsui-ke no keiei.”

48 Y. Sakudô, Matao Miyamoto, H. Hatakeyama, Makoto Seoka, and Masamichi Mizuhara, Edo-ki shômin no kakushinteki kôdô [The innovative practices of Edo merchants], Yûhikaku, 1978, p. 34.
of the Edo Period, but in the small merchant houses the main workforce came from family members, and hōkōnin were not employed on a regular basis.

**THE SYSTEM OF EDUCATION**

The education of hōkōnin in large merchant houses was carried out principally by on-the-job training (OJT). The first objective of education in the merchant houses was learning the etiquette and ethics of a merchant; the second was learning such fundamental commercial skills as reading and writing, using the abacus, entering items into the ledgers, counting currencies, and writing out cheques (bills); the third was gaining a mastery of the commercial knowledge and methods of transacting business that were peculiar to each individual merchant house, in other words, learning the tricks of the trade. With the past experiences and know-how in each merchant house serving as their textbooks, the hōkōnin obtained OJT through job rotation, or through being taught by older employees. There is no doubt whatsoever that the Edo Period merchant houses considered this kind of OJT as the foundation of the education they gave their employees. But is that all there was to it?

True enough, in the Edo Period there existed no commercial educational institutions to educate merchant house hōkōnin. But if there was no dispersal of general, socially shared knowledge regarding commercial practices, and each merchant house only employed its own way of doing things, would goods transactions and financial transactions of the scale that was seen in the Edo Period have been possible? When we look at the Edo Period merchant houses we find that similar systems were in wide use, though their names may have been different: in positions within the organization, accounting ledgers, documents, and so on. Labor management practices, house rules, inheritance regulations, methods of managing the family estate, and so on were for the most part similar in content, though maybe not in form. There are many things we still do not know about how such knowledge and skills that were commonly shared in the commercial community were formed, circulated, and diffused. This remains an important task for future research.