BOOK REVIEWS

SENKANKI SUMITOMO ZAIBATSU KEIEISHI

(The Sumitomo Zaibatsu during the Interwar Years)

By Shoichi Asajima, The University of Tokyo Press

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We have witnessed in the recent past a number of remarkable research outputs on the history of the *zaibatus*. One group of them studies the history of the *zaibatus* in general or of specific *zaibatus* by the established method of business historians, as exemplified by Hidemasa Morikawa, *Zaibatsu no Keieishiteki Kenkyu* (Business History of the Zaibatsu) and The Nihon Keizai Shimbunsha, *Nihon Zaibatsu Keieishi Series* (The Business Histories of the Zaibatsu Series: Mitsui, Mitsubishi, Sumitomo, Yasuda, Hanshin, and other newer and regional *zaibatus*). A second group attempts in-depth analyses of individual *zaibatus* making full use of their internal business data which have not thus far been fully utilized. The latter group includes Hiroshi Matsumoto, *Mitsui Zaibatsu no Kenkyu* (A Study of the Mitsui Zaibatsu) and Isao Hatate, *Nihon no Zaibatsu to Mitsubishi – Zaibatsu Kigyo no Nihonteki Fudo* (The Japanese Zaibatus and Mitsubishi: Japanese Features of the Zaibatsu Firm). Shoichi Asajima's new book, *The Sumitomo Zaibatsu during the Interwar Years*, belongs to this second group. It intends to fill the lacuna left in the historical studies of Sumitomo by taking full advantage of the newly released internal data stored in Sumitomo Shushishitsu (Sumitomo's historical library).

In the preface of the book, Asajima describes its aim as "to try an approach from a new angle using the hitherto unseen internal data," in order "to elucidate the role of finance in the Sumitomo Zaibatsu." More specifically, Asajima elaborates on his financial approach as follows: "Whereas the traditional studies of the *zaibatus* stressed their organizational control by means of personnel, shareholdings, and the pattern of capital accumulation of the intra-group firms, this book aims at grasping the *zaibatsu*'s managerial behavior concretely through an analysis of the sources and magnitudes of its profits and bringing out the key role played by financial management as a means of organizational

control through an analysis of its financial statements." The book is composed accordingly of three parts: "Part I The Organizational Structure of the Sumitomo Zaibatsu: The Central Control"; "Part II The Individual Firms in the Sumitomo Zaibatsu: A Financial Analysis"; and "Part III The Control System of the Sumitomo Zaibatsu: Shareholdings and Fund Procurements." Each part summarizes the facts found from a careful analysis of the new internal data.

Part I examines Sumitomo's central control from the point of view of organization and rules. By examining "The Sumitomo Family Constitution" and "The Sumitomo Corporate Code," Asajima draws the following conclusions:

- (1) The control body: Both the operating units directly managed by the head office and the independent, but family-owned companies were controlled by the head office. In the head office, the personnel department and the accounting department, in particular the latter, took control of the various enterprises, using the methods described below.
- (2) The control methods: Pursuant to "The Sumitomo Family Accounting Rules" enacted in 1900, all the operating units directly managed by the head office and related companies were required to submit to the head office their prospective and actual accounts. Through the check, analysis and aggregation of these accounts, the head office was able to grasp an accurate picture of Sumitomo's enterprises as a whole. Moreover, the "Cash Management Rules" stipulated a centralized cash management, namely, a shortfall of cash in each unit was to be met by a loan from the Sumitomo Bank or the head office at interest, whereas surplus cash of each unit was to be deposited with the head office as a rule.

Part II investigates in detail the activities of the Sumitomo Zaibatsu by departments: manufacturing, non-manufacturing, mining, sales, finance, and the head office. For each department, its origin, development, major clients and sources of profits, business and financial balances are closely examined. A summary of Part II is in "Chapter 8 The Global Picture of the Sumitomo Group" which stresses how the chief profit maker shifted from banking followed by electrical cables in the partnership era, when the head office took the form of a limited partnership (1921-1937), to metallic industries including duralumin and propellers in the era, when the head office took the form of the corporation (1937-1945). "Chapter 5 Sales Department" brings out the heavy dependency of the zaibatsu's products on the military and governmental demands with an effective use of the data on large customers.

Part III focuses on the patterns of security holdings and fund procurement of the zaibatsu as a whole, with the following conclusions.

- (1) During the partnership era, an overwhelming majority of securities owned by the head office were the shares of the Sumitomo corporations. The overall rate of return on these securities was below the average market rate at 3 to 4 percent per annum, but approached the market rate as the Sumitomo manufacturing corporations grew in the era of quasi-war structure. An overwhelming majority of the shares of Sumitomo were owned by the Sumitomo family and the rest were owned by the directors of the Sumitomo corporations. This so-called "closed and divided share ownership" was Sumitomo's basic pattern and was observed in the Sumitomo Bank prior to the public sale of shares in 1917. After 1933 the shares of the corporations owned by the head office in the form of partnership were released and ended up in the hands of the same group of corporations. As a result, there developed a pattern of mutual holdings of shares within the group.
- (2) During the partnership era the head office assumed the function of cash management for the entire zaibatsu firms, with the Bank financing the short fall of the head office in the background. Since 1937, however, the rapid growth of manufacturing and mining needs outgrew the self-financing capacity of the head office, and the Bank took over as the group's central financial controller. The zaibatsu relied on the public sales of shares, public issuance of debentures and borrowings from outside the zaibatsu as well. Moreover, the Sumitomo Bank's dependency on the Sumitomo corporations, which was quite low in both deposits and loans during the partnership era, rose dramatically from 1937 to surpass that of the Mitsui Bank.

In a word, this book of Asajima's is the first full-scale study of the Sumitomo Zaibatsu based on the new internal data. Above all, its thorough study of Sumitomo's sources of profits, share ownerships, pattern of fund procurement and the role of the sales department and the bank within the zaibatsu must be regarded as a major contribution. My only criticism is that the analysis of the sources of profits should have been performed on a broader perspective. Though Asajima ranks Besshi Copper Mine very low, if one takes into account its vertically integrated operations (Besshi Copper Mine—copper sales agent, copper elongation mill, electric wire manufacturing) and regard them as one source of profits, as one probably should, its contribution to profits must be comparable to that of banking. Having identified the copper-

related sector and banking as the two major profit makers, the business history of the Sumitomo Zaibatsu could have been investigated within the established framework of industrial organization. According to the "Preface," the investigation of "What positions the variety of the Zaibatsu firms occupied in their respective fields and how they made use of their monopolistic power to generate high profits" is "to be scheduled for another book." I hope this next book of Asajima's will fully answer my criticism mentioned above.

Translated by Atsumi Nagatani