



## The Wealth of Zaibatsu Owner Families: The Impact of Zaibatsu Busting in Occupied Japan

Steven Ericson  
Dartmouth College

### *Abstract*

*Contrary to widely accepted views, the former zaibatsu owner families, despite the drastic reduction in their enormous wealth, emerged from the U.S. Occupation with relatively sizable assets. The Holding Company Liquidation Commission, the Japanese agency that at the direction of Occupation Headquarters (GHQ) seized stocks that the zaibatsu families had held either directly or through their holding companies, worked to protect the families, especially by convincing GHQ to switch compensation from nonnegotiable bonds to cash. Furthermore, in the sale of stocks, the policy of giving purchase priority to zaibatsu company employees appears to have made it possible in some cases for the families to buy back shares and regain control over their former enterprises after 1952. As it turned out, the confiscatory measure was not so much the appropriation of the families' assets under the GHQ-mandated dissolution of the combines as it was the Japanese government's own punitive capital levy.*

Mitsui Takanaga, who graduated from Dartmouth College in 1915,<sup>1</sup> was heading one of the eleven Mitsui families when the U.S. occupation of Japan officially began at the end of August 1945. As such, Takanaga would find himself on the list of 56 zaibatsu family members designated in March 1947 by the Holding Company Liquidation Commission (HCLC), the Japanese body that carried out Occupation directives to break up the zaibatsu combines and big companies. Under this designation, Takanaga had to transfer all of his personally held stocks and bonds to the commission, having already turned over securities he owned through Mitsui's central holding company in October 1946. He was also forced to resign from offices he held in five Mitsui enterprises.<sup>2</sup> In the meantime, in February 1947, he had to declare his taxable assets to the Ministry of Finance under the 1946 capital levy, which would take a full 87 percent of the ¥47 million he reported.<sup>3</sup>

<sup>1</sup>Takanaga would send two of his sons to Dartmouth as members of the Classes of 1943 and 1958. Takanobu '43 wrote an account of his wartime years at Dartmouth for the November/December 2010 issue of the college alumni magazine:

<http://archive.dartmouthalumnimagazine.com/issue/20101101#!&pid=22>

<sup>2</sup>Mochikabu Kaisha Seiri Iinkai, ed., *Nihon zaibatsu to sono kaitai* (Tokyo: Hara Shobō, 1974), vol. 2, 2-3.

<sup>3</sup>Kunio Suzuki, "From Zaibatsu to Corporate Complexes," in Takao Shiba and Masahiro Shimotani, eds., *Beyond the Firm: Business Groups in International and Historical Perspective* (Oxford: Oxford University Press, 1997), 75.

Figure 1: Mitsui Takanaga (1892–1962), Dartmouth Class of 1915



The Dartmouth Class of 1915 newsletter for 1947 informed Takanaga's classmates that "the Mitsuis have lost holdings, most of their money," and the newsletter for 1951 added that "both of his homes in Tokyo were completely demolished."<sup>4</sup> His Dartmouth alumni file contains a *New York Times* clipping from November 28, 1946, describing the dramatic contraction of zaibatsu wealth that was soon to occur. The article reported that all the assets of Mitsui and the rest of "Japan's ten wealthiest families have been frozen by order of Gen. Douglas MacArthur in a move to end permanently their influence upon the empire's economy." It went on to detail the exacting conditions that the government, at the direction of Occupation headquarters (GHQ or SCAP after MacArthur's title, Supreme Commander for the Allied Powers), was about to impose on Mitsui and other zaibatsu families, allotting them monthly living expenses of ¥1,500 or about \$30 and seizing their belongings in return for bonds "upon which the families will be unable even to borrow."<sup>5</sup>

Historians of Japan have debated the extent to which the 1945-1952 Allied occupation represented a rupture in modern Japanese history. In the business field, many see Occupation programs to break up the zaibatsu, the family-owned combines that had dominated Japan's pre-1945 economy, as having been only partially successful, as former zaibatsu subsidiaries largely escaped deconcentration and tended to regroup after 1952. By comparison, business reforms in occupied Germany appear more thoroughgoing, in part because the somewhat later start of the Japanese reforms overlapped more with the intensification of the Cold War.

On one aspect of the zaibatsu dissolution program, however, scholars generally agree that a permanent break occurred, namely, in family ownership and control, a defining characteristic of the zaibatsu combines. The fall from grace of Mitsui Takanaga would certainly seem to support that position. In the standard interpretation, the divestiture of owner-family stocks amounted to virtual confiscation of zaibatsu family wealth, ending the families' commanding economic, if not social, position in the emerging middle-class society of postwar Japan. Hugh Patrick typifies the common view:

*The holding companies were ended, and all shares in the underlying companies owned by zaibatsu family members were confiscated and sold, both to employees of the constituent firms . . . and gradually, on the open market, to large numbers of middle-income Japanese. In compensation the zaibatsu families received bonds that bore no interest and could not be sold or redeemed for ten years, and zaibatsu family members were not even permitted to work for the firms they formerly had owned. All this was so effective that the families have never been able to return to power; by and large they have slipped into comfortable obscurity . . .*<sup>6</sup>Or, as a textbook on postwar Japanese history succinctly—and misleadingly—puts it: "Zaibatsu families were nearly impoverished when their assets were confiscated."<sup>7</sup>

<sup>4</sup>Dartmouth Class of 1915 Newsletter, September 1947 and April 1951, Rauner Library Special Collections, Dartmouth College

<sup>5</sup>Burton Crane, "Zaibatsu Assets Frozen in Japan, Holdings of Ten Wealthiest Families Will Be Put into Non-Negotiable Bonds," *New York Times*, November 28, 1946, 19.

<sup>6</sup>Hugh T. Patrick, "The Phoenix Risen from the Ashes: Postwar Japan," in James B. Crowley, ed., *Modern East Asia: Essays in Interpretation* (New York: Harcourt, Brace & World, 1970), 305

<sup>7</sup>Gary D. Allinson, *Japan's Postwar History*, 2<sup>nd</sup> ed. (Ithaca: Cornell University Press, 2004), 75

I argue in this article that, despite the drastic reduction in their enormous wealth, the former zaibatsu owner families emerged from the Occupation with relatively sizable assets. The Japanese commission that implemented the U.S.-mandated business reforms, the HCLC, worked to protect the zaibatsu families especially by convincing Occupation headquarters to switch compensation from nonnegotiable bonds to cash, a point that is totally absent from the literature. Furthermore, in the disposal of stocks, the policy of giving purchase priority to zaibatsu company employees appears to have made it possible in some cases for the families to buy back shares as well as regain control over their former enterprises after 1952.

Zaibatsu families in fact sustained a greater hit to their pre-1945 wealth from a program whose origins had nothing to do with zaibatsu dissolution—the 1946 capital levy. The Ministry of Finance proposed this sharply graduated tax, which the Diet passed in November 1946, to secure funds to pay off the vast amounts of bonds the government had issued during the war.<sup>8</sup> The capital levy applied to individuals whose net assets exceeded ¥100,000 as of March 3, 1946. The tax rates climbed from 10 percent on the first ¥10,000 of taxable assets above the ¥100,000 exemption to 90 percent on the portion of taxable assets exceeding ¥15 million. The Ministry, however, made the levy more burdensome by applying it not to individuals but to families, calculating the tax by the net wealth of the household and distributing individual tax liability proportionately among its members. Families would typically have to meet their tax obligations by payment not only of cash but also of bonds, stocks, and real estate. As Suzuki Kunio notes, the capital levy “made it legally possible for the state to siphon off a considerable portion of the wealth of the zaibatsu and other wealthy families in the form of taxes.”<sup>9</sup> The ten largest zaibatsu family groups had a total of about ¥630 million confiscated under the levy, for an overall tax rate of 85 percent. The individual with the biggest taxable assets, Sumitomo Kichizaemon, lost 89 percent of those assets to the levy.<sup>10</sup>

Figure 2: Impact of the Capital Levy on Reported Taxable Assets

Designee	Taxable Assets (a)	Capital Levy (b)	b/a	Remaining Assets
Mitsui (11 families)	¥356,451,814	¥306,761,825	0.86	¥49,689,989
Iwasaki (10 families)	161,633,404	135,641,588	0.84	25,991,816
Sumitomo (4 families)	129,815,797	113,669,216	0.88	16,146,580
Furukawa (1 family)	38,201,600	32,997,440	0.86	5,204,160
Ōkura (4 families)	19,917,281	15,580,370	0.78	4,336,911
Yasuda (10 families)	14,858,800	9,221,511	0.62	5,637,289
Nomura (2 families)	7,404,664	5,159,355	0.70	2,245,308
Asano (4 families)	5,998,483	3,776,180	0.63	2,222,303
Ayukawa (1 family)	4,344,300	3,091,440	0.71	1,252,860
Nakagawa (1 family)	1,083,917	644,530	0.59	439,387
Total (48 families)	739,710,060	625,543,455	0.85	114,166,604

Source: Suzuki, “Zaibatsu kaitai, zaisan zeī to zaibatsu kazoku shisan no shukushō,” 2.

<sup>8</sup>From the standpoint of the U.S. Occupation, however—as Henry Shavell, financial adviser to SCAP’s Finance Division, claimed—the primary purpose of the levy was non-fiscal: “to level off excessive concentrations of economic power, and to virtually wipe out the equities of . . . the *Zaibatsu*.” Shavell, “Taxation Reform in Occupied Japan,” *National Tax Journal*, vol. 1, no. 2 (June 1948), 127.

<sup>9</sup>Suzuki, “From Zaibatsu to Corporate Complexes,” 74.

<sup>10</sup>Suzuki Kunio, “Zaibatsu kaitai, zaisan zeī to zaibatsu kazoku shisan no shukushō,” *Saitama Daigaku Sōgō Kenkyū Kikō* (2010), [http://sucra.saitama-u.ac.jp/modules/xoonips/download.php/KP22A10-65.pdf?file\\_id=22465](http://sucra.saitama-u.ac.jp/modules/xoonips/download.php/KP22A10-65.pdf?file_id=22465).

Name	Sex	Comments
1. Takakini Mitsui	M	
2. Takahisa Mitsui	M	
3. Takahiro Mitsui	M	
4. Takaharu Mitsui	M	
5. Takanaga Mitsui	M	
6. Takanaru Mitsui	M	
7. Takakane Mitsui	M	
8. Takaatsu Mitsui	M	
9. Takaakira Mitsui	M	
10. Takaosa Mitsui	M	
11. Takateru Mitsui	M	Heir of Late
12. Hisaya Iwasaki	M	
13. Tadao Iwasaki	M	
14. Hikoyata Iwasaki	M	
15. Takaya Iwasaki	M	
16. Tsuneya Iwasaki	M	
17. Takako Iwasaki	F	
18. Yoshiko Iwasaki	F	
19. Katsutaro Iwasaki	M	
20. Yasuya Iwasaki	M	
21. Teruya Iwasaki	M	
22. Yao Iwasaki	F	
23. Kichizamon Sumitomo	M	
24. Motoo Sumitomo	M	
25. Yoshiteru Sumitomo	M	
26. Kanichi Sumitomo	M	
27. Hajime Yasuda	M	
28. Kusuo Yasuda	M	
29. Zengoro Yasuda	M	
30. Arata Yasuda	M	
31. Yuriko Yasuda	F	
32. Zenei Yasuda	M	Heir of Late
33. Koichiro Yasuda	M	
34. Hikotaro Yasuda	M	
35. Ryokichi Yasuda	M	
36. Zenhashiro Yasuda	M	
37. Soichiro Asano	M	
38. Ryoso Asano	M	
39. Hachiro Asano	M	
40. Yoshio Asano	M	
41. Kishichiro Okura	M	
42. Kunema Okura	M	
43. Hikoichiro Okura	M	
44. Yoshio Okura	M	
45. Fumihide Nomura	M	
46. Keiji Nomura	M	
47. Koso Nomura	M	
48. Motogoro Nomura	M	
49. Chikahai Nakajima	M	
50. Kiyochi Nakajima	M	
51. Monkichi Nakajima	M	
52. Kimihei Nakajima	M	
53. Chuhei Nakajima	M	
54. Jijun Furukawa	M	
55. Susukichi Wakagawa	M	
56. Gensuke Aikawa	M	

Figure 3: List of Zaibatsu Family Members Designated by the HCLC on March 13, 1947.

Meanwhile, under the Occupation's trust-busting program, three HCLC actions in particular affected the business ownership and control of the zaibatsu families: the naming as "designated holding companies" of the zaibatsu head offices beginning in September 1946, the naming of 56 zaibatsu family members as "designated persons" in March 1947, and the enforcement of the "Law Concerning Elimination of Control by Zaibatsu Families" in January 1948. From October 1946 to late 1947, the HCLC took custody of all the stocks owned by 83 designated holding companies.<sup>11</sup> Of the stocks of zaibatsu head offices, owner family members held 64 percent of the total in the case of Mitsui, 48 percent in the case of Mitsubishi, 83 percent in the case of Sumitomo, and 100 percent in that of Yasuda. The family stock ownership percentages for second-tier zaibatsu holding companies ranged from 59 percent for Furukawa and 68 percent for Asano to 93 percent for Ōkura and 100 percent for both Nomura and Nakajima.<sup>12</sup> (Insurance companies were the principal stockholders other than zaibatsu family members.) Of the big four zaibatsu, the holding-company stocks of family members taken by the HCLC amounted to roughly ¥630 million for Mitsui, ¥340 million for Mitsubishi, \$260 million for Sumitomo, and ¥145 million for Yasuda.<sup>13</sup> Because corporations were exempt from the capital levy, the Ministry of Finance presumably did not include these holding-company shares in figuring the taxable assets of zaibatsu family members.

Source: GHQ, SCAP, *History of the Nonmilitary Activities of the Occupation of Japan*, vol. 24, Appendix 22.

The HCLC initiated the seizure of holding company stocks on October 8, 1946, when a group of commissioners descended on the main offices of the Mitsui and Mitsubishi holding companies in Tokyo, loaded on

<sup>11</sup>On the designation, dissolution, and reorganization of holding companies, see General Headquarters, Supreme Commander for the Allied Powers, *History of the Nonmilitary Activities of the Occupation of Japan*, vol. 24: *Elimination of Zaibatsu Control* (Tokyo: SCAP, 1952), Chapter 2: "Liquidation of Holding Companies," available on microfilm, Wilmington, DE: Scholarly Resources, 1989, reel 4.

<sup>12</sup>Mochikabu Kaisha Seiri Inkaei, ed., *Nihon zaibatsu to sono kaitai*, vol. 2, pp. 6-20; Holding Company Liquidation Commission, *Final Report on Zaibatsu Dissolution* (Tokyo: HCLC, 1951), pp. 30-39; "Zaibatsu Families and Their Stockholdings," 1945, SCAP Economic and Scientific Section Records, available in *The Occupation of Japan: Economic Reform*, Part 1: *Deconcentration and Modernization of Economic Power* (Bethesda, MD: Congressional Information Service/Tokyo: Maruzen, 1994-1995), microfiche 4-116-04.

<sup>13</sup>Calculated by multiplying the total values of holding-company securities transferred to the HCLC by the percentages of owner-family held securities. Holding Company Liquidation Commission, *Final Report*, 31, 33-34, 39, 41.

to two trucks 46 sealed wooden boxes containing ¥1.25 billion in stock and bond certificates, and, escorted by armed MP guards, brought the securities to the Hypothec Bank of Japan, next to the HCLC offices, for storage pending their disposal.<sup>14</sup> Following this dramatic photo opportunity, the commission proceeded over the next three weeks to secure the stocks of the holding companies of the other big four zaibatsu—Sumitomo and Yasuda—as well as Nakajima Aircraft<sup>15</sup> in this first round of designations.



Figure 4: Seizure of Zaibatsu Family Assets, October 1946.

Source: *Shōwa shi ketteiban*, Vol 13, *Haigo to ketsubō* (Tokyo: Mainichi Shinbunsha, 1983)

Besides disposing of the stocks that zaibatsu family members held through their combines' holding companies, the HCLC also gained authority to deal with the members' direct holdings, and in March 1947 the

<sup>14</sup>Noda Iwajirō, *Zaibatsu kaitai shiki: watashi no rirekisho* (Tokyo: Nihon Keizai Shinbunsha, 1983), p. 65; T. A. Bisson, *Zaibatsu Dissolution in Japan* (Berkeley: University of California Press, 1954), 109-110.

<sup>15</sup>Morikawa Hidemasa states that, although Nakajima Aircraft (part of which became Fuji Heavy Industries in 1950) may not fit the criteria for a zaibatsu head office, SCAP grouped it with the top four zaibatsu holding companies because all of Nakajima's capital came from one family and "because it controlled a number of subsidiaries and cooperated in the war effort." Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan* (Tokyo: University of Tokyo Press, 1992), 237.

government named 56 members of ten zaibatsu family groups as “designated persons” who would have to transfer their personally held securities to the commission.<sup>16</sup> These individuals held a total of ¥1.2 billion yen in securities. The Ministry of Finance appropriated about half this amount as payment for the capital levy while the HCLC took over the remaining securities, valued at ¥546 million, in April 1948.<sup>17</sup>

At the direction of Occupation authorities, the government also ordered the designated persons to give up their positions as company officers, eliminating their ability to exercise managerial control over enterprises. SCAP was concerned, however, that the families could maintain indirect influence through appointees. The extension of the purge directive of January 4, 1946 to the economic field exactly one year later had led to the barring of 1,335 executives from top positions in private companies (as well as 631 executives in enterprises of a “government-cum-business character”).<sup>18</sup> SCAP, however, had not drafted the economic purge with special reference to the combines but had “sprayed” it generally over a list of several hundred big businesses; that list, for instance, had omitted six of the twenty-two first-line subsidiaries of the Mitsui zaibatsu.<sup>19</sup>

To close the gap, the Occupation had the Japanese government enact the “Law for the Termination of Zaibatsu Family Control” on January 7, 1948.<sup>20</sup> As MacArthur explained to Under Secretary of the Army William Draper in a radio message two days later, this legislation was “an integral part of the program for the dissolution of the powerful octopus of monopolistic financial, industrial and commercial combines.” Its purpose was “to terminate the control or influence over Zaibatsu enterprises” that the 56 designated family heads “are still exercising by virtue of securities and officerships held by members of [their] immediate families” or through officials appointed by them; it thereby aimed “to avoid defeat of the deconcentration program through the use of ‘fronts’ related to the Zaibatsu by ties of blood or by feudalistic allegiances.”<sup>21</sup> The law required immediate relatives of the 56 designated persons to resign from high-ranking offices in designated zaibatsu affiliates and barred them from holding such positions for ten years; in all, 309 family members faced removal from office. High-ranking appointees designated for removal faced the same exclusion provisions but could apply for exemption. Of the 3,489 officers affected by the law (including 848 already purged individuals), 691 obtained exemptions, with the remaining 2,798 officers forced to resign from the specified positions.<sup>22</sup>

Figure 5: Number of Families and Family Members Affected by the “Law Concerning Elimination of Control by Zaibatsu Families,” January 7, 1948

<u>Zaibatsu Combine</u>	<u>No. of Families</u>	<u>Number of Family Members</u>
1. <u>Mitsui</u>	11	57
2. <u>Mitsubishi (Iwasaki)</u>	6	36
3. <u>Sumitomo</u>	4	28
4. <u>Yasuda</u>	10	75
5. <u>Nissan (Aikawa)</u>	1	6
6. <u>Okura</u>	3	17
7. <u>Furukawa</u>	2	17
8. <u>Asano</u>	4	28
9. <u>Fuji (Nakajima)</u>	5	23
10. <u>Nomura</u>	4	22
	<u>50</u>	<u>309</u>

Source: GHQ, SCAP, History of the Nonmilitary Activities of the Occupation of Japan, vol. 24, Appendix 23.

<sup>16</sup>Mochikabu Kaisha Seiri Inkai, ed., *Nihon zaibatsu to sono kaitai*, vol. 2, 2-3.

<sup>17</sup>Mochikabu Kaisha Seiri Inkai, ed., *Nihon zaibatsu to sono kaitai*, vol. 1, 301.

<sup>18</sup>T. A. Bisson, “The Economic Purge in Japan,” *Far Eastern Quarterly*, vol. 12, no. 3 (May 1953), 283, 287.

<sup>19</sup>*Ibid.*, 285, 288, 297.

<sup>20</sup>For the text of the law, see Bisson, *Zaibatsu Dissolution*, 293-301.

<sup>21</sup>Douglas MacArthur to William Draper, radio message, January 9, 1948, SCAP Economic and Scientific Section Records, *The Occupation of Japan: Economic Reform*, Part 1, microfiche 4-101-38.

<sup>22</sup>Bisson, “The Economic Purge,” 294; General Headquarters, SCAP, *History of the Nonmilitary Activities of the Occupation of Japan*, vol. 24, p. 137 for the number of affected family members and p. 142 for the number of purged appointees.

The zaibatsu families endured strict supervision of their financial affairs by the HCLC until the commission's dissolution in July 1951. The designated members had to obtain permission from the HCLC for any sale of their remaining personal assets. They had to submit detailed lists of movable and immovable properties to the commission, which would make spot inspections to check the "numbers, quality and state of preservation"<sup>23</sup> of art works, curios, antiques, and the like. In September 1947, the HCLC notified the designees that, if it deemed it necessary, it would transfer such objects—some of which were national treasures—to the Tokyo National Museum. The commission in fact initiated such transfers in December of that year beginning with items owned jointly by the Mitsui families. By April 1948, with the HCLC's blessing, the National Museum had concluded a contract with Mitsui family members to take possession of art objects at a price of ¥4.7 million.<sup>24</sup>

The heads of the ten zaibatsu family groups would deposit proceeds from sales with a bank designated by the HCLC. They would be able to withdraw funds only with the commission's counter-signature and only for the purpose of paying taxes, repaying debts, meeting calls on unpaid capital, or providing for living expenses. The HCLC required the designated persons to submit quarterly budgets of living expenses. In the second quarter of 1947, for example, it approved average monthly living expenditures for 422 family members of ¥1,000 per person.<sup>25</sup>

Between May 1947 and June 1950, the HCLC processed over 200 applications by zaibatsu family members for permission to sell or purchase property, borrow funds or repay loans, accept positions as company officers, and withdraw funds for living expenses. The commission usually gave permission for the sale of movable property such as pictures, books, automobiles, and mining rights. It tended to approve the sale of art objects to the National Museum but "not necessarily to private persons." Meanwhile, the HCLC greenlighted almost all applications for the sale of immovable assets such as buildings and residential or forest land. By March 1950, the families had disposed of immovable properties worth twice as much as the movables they had sold, as the price of art objects and antiques plummeted while that of real estate rose. Also, by that time the designees had made three fifths of approved withdrawals for tax payments and just one fifth for living expenses. The HCLC approved applications for corporate positions, which came mainly from less affluent family members in need of extra income, if the positions were "not of great responsibility" and "would not lead to a concentration of power."<sup>26</sup>

The same restrictions on withdrawal of funds applied to proceeds from the HCLC's disposal of zaibatsu family-owned securities. The original plan was that the families would receive payment for their securities and other property in 3-percent public bonds that were nonnegotiable, nontransferable, and ineligible for use as collateral for ten years.<sup>27</sup> According to Noda Iwajirō, the executive commissioner and later chairman of the HCLC, the commission strenuously objected to compensating the zaibatsu families in this manner: How were the families to eat? Arguing that U.S. taxpayers would have to support the zaibatsu households, the HCLC finally convinced the Occupation authorities to switch the compensation from bonds to cash.<sup>28</sup> Accordingly, on June 9, 1947, the government amended the HCLC ordinance to permit money payments.<sup>29</sup> SCAP records suggest that GHQ intended this change to apply only to payment of taxes, living expenses, and the like, and the literature continues to maintain that the zaibatsu families received compensation in highly restricted bonds. But Noda states in his memoir that in fact, as the disposal of both the holding-company and personally held stocks of the zaibatsu families proceeded, the HCLC made sure to reimburse them in cash.<sup>30</sup>

<sup>23</sup>Holding Company Liquidation Commission, *Final Report*, 67.

<sup>24</sup>General Headquarters, SCAP, *History of the Nonmilitary Activities*, vol. 24, 128-129.

<sup>25</sup>*Ibid.*, 125.

<sup>26</sup>*Ibid.*, 130-132; Suzuki, "Zaibatsu kaitai, zaisan zei."

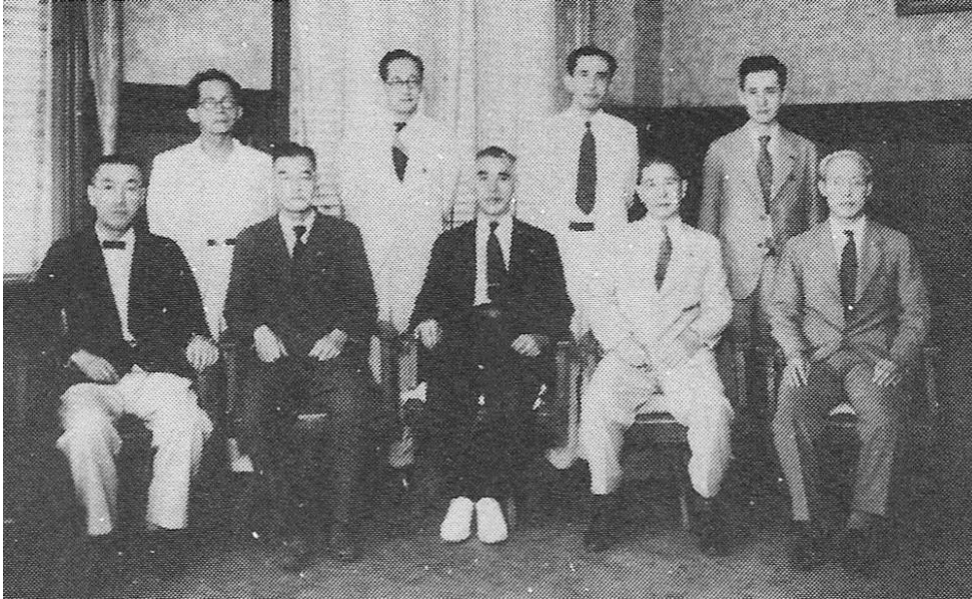
<sup>27</sup>Bisson, *Zaibatsu Dissolution*, 74.

<sup>28</sup>Noda, *Zaibatsu kaitai shiki*, 150-151.

<sup>29</sup>General Headquarters, SCAP, *History of the Nonmilitary Activities*, vol. 24, 126.

<sup>30</sup>Noda, *Zaibatsu kaitai shiki*, 151.

Figure 6: Members of the Executive Committee of the Holding Company Liquidation Commission (Noda Iwajirō is seated second from the right).



Source: Noda, *Zaibatsu kaitai shiki*, 61.

Although both SCAP records and the HCLC's own final report claimed that the commission exercised vigorous oversight of the zaibatsu families' personal property, Noda made it clear that the HCLC would only dispose of assets that the owner families disclosed to the commission and would not go on "fishing expeditions" in search of undeclared assets. When some staff members suggested the HCLC should look into the Nomura family's collection of valuable Noh costumes, for instance, Noda insisted that "investigating such items is not the job of the commission."<sup>31</sup> He also held in strict confidence the lists of assets the families submitted, refusing to show the lists even when the Tax Office asked to see them. He attributed the smooth operation of the divestiture program to these procedures.<sup>32</sup> Noda further persuaded SCAP to modify its decision to require that the families sell all their residential properties other than main residences and instead allow each family to keep one villa (*bessō*) to "maintain a minimum living standard."<sup>33</sup>

On a similar note, Edward Welsh, the zealous New Dealer who headed the Antitrust and Cartels Division of GHQ from 1947 to 1950 and waged a relentless, though only partially successful, campaign to break up Japan's large corporations,<sup>34</sup> sounded surprisingly accommodative toward the zaibatsu families as reported in a *New York Times* article published in mid-January 1949. Welsh had stated that the families "are being treated with consideration. They

<sup>31</sup>Ibid., 210.

<sup>32</sup>Ibid., 68.

<sup>33</sup>Ibid., 151.

<sup>34</sup>Prior to his SCAP appointment, Welsh had completed a doctoral dissertation at Ohio State University on trust dissolution and the impact of monopoly on prices and had served as an economist in several U.S. government agencies. Theodore Cohen, who headed SCAP's Labor Division, describes Welsh as having had "a stubbornness and an inflexibility" about trust-busting; he was "both strong-willed yet narrowly focused . . . with an overweening sense of mission." Theodore Cohen, *Remaking Japan: The American Occupation as New Deal*, ed. Herbert Passin (New York: Free Press, 1987), 352.





Figure 7: Edward Welsh, Chief of the Antitrust and Cartels Division, 1947-1950. Source: Noda, *Zaibatsu kaitai shiki*, 71.

Source: Noda, *Zaibatsu kaitai shiki*, 71.

have been permitted to draw what funds they need for family budgets. Invariably family heads' quarterly estimates of household expenses are approved, the commission merely taking care to keep the former plutocrats from amassing funds and buying back their own properties." Furthermore, Welsh had assured the *Times* reporter that no sales of the families' confiscated shares "had been made without written recommendation on the price from the former owner" and that "hardly ever . . . had the sale price varied much from the owner's ideas."<sup>35</sup>

Welsh may well have been trying to counter mounting criticism of SCAP's trust-busting program in the conservative U.S. press. Just over a year earlier, for example, the *Chicago Daily Tribune* had run an article succinctly titled "Burglary," charging that Welsh had "promulgated a new order to rob every member of Japan's 56 wealthiest families [sic] of all personal belongings not 'directly necessary for ordinary existence'" in what amounted to "the biggest burglary in history." The article claimed that Welsh was "demanding an inventory of every possession down to underwear and sox from all the Japanese on the list" and was "attempting to put into effect New Deal social leveling theories" that "cannot at the moment be saddled on Americans": "Even in Germany, where the American occupation has been vengeful and stupid, no such holdup as this has been contemplated."<sup>36</sup>

The comparison with German industrialists had very much colored U.S. views of their Japanese counterparts in the initial plans for trust-busting in Japan, but the heads of families who owned big businesses in Germany, Krupp being the prime example, in fact suffered much worse than zaibatsu family heads did. The China hands who were ascendant in Washington as the occupation of Japan started had insisted, as Owen Lattimore declared in early September 1945, that the zaibatsu families had "merged completely with the militarists in controlling Japan for aggression": "Together," Lattimore asserted in a simile that MacArthur and many others repeated, "they are like a small octopus with huge tentacles which holds everything in its power."<sup>37</sup> Along the same lines, as a *New York Times* correspondent reported in December of that year, the zaibatsu, "at least in the opinion of many Americans, shared the responsibility for Japanese aggression and took part of its profits, holding much the same position as the German industrialists under Hitler—now officially adjudged criminal."<sup>38</sup>

<sup>35</sup>Burton Crane, "Zaibatsu Break-up Nearly Complete: Deconcentration Review Board Names Only 50 Japanese Companies," *New York Times*, January 15, 1949, 4.

<sup>36</sup>"Burglary," *Chicago Daily Tribune*, October 10, 1947, 20.

<sup>37</sup>"Big Industrialists of Japan Assailed: Owen Lattimore Says Allies Must Free Nation of Their Grip to Insure Democracy," *New York Times*, September 5, 1945.

<sup>38</sup>Lindesay Parrott, "Japan's Ruling Class Still Largely Intact: Most War-Makers Are Free Although Their Machine Has Been Dismantled," *New York Times*, December 9, 1945, 72.

Yet, despite such negative views of the zaibatsu, other than Ministry of Finance officials with their punitive capital levy, U.S. and Japanese authorities ended up treating the zaibatsu families fairly. As Noda himself concluded on the compensation issue, “popular opinion tends to be that zaibatsu assets were confiscated, but we as members of the HCLC persuaded SCAP to give the zaibatsu proper compensation in cash.”<sup>39</sup> SCAP did declare two of the 56 designated zaibatsu family heads to be “war criminal suspects”—Nakajima Chikuhei and Aikawa Gisuke— but released both of them from suspicion as war criminals in October 1947.<sup>40</sup> Ultimately, for “lack of evidence,” no other designated person was accused of war crimes, though, if SCAP had followed the criteria applied to German industrialists, Dartmouth grad Mitsui Takanaga, for one, perhaps would have been accused, as he had helped manage Mitsui Mining, which had used over 1,800 Allied prisoners of war as slave labor in its Ōmuta coal mine.<sup>41</sup>

By contrast, the head of the family that owned the Krupp combine was tried and “convicted for slave labor and for the plunder of occupied Europe” and sentenced to twelve years in prison, “his entire fortune confiscated.”<sup>42</sup> Much as in the case of the zaibatsu and their identification with Japan’s wartime government, the Krupp conglomerate “had become indelibly associated with the Nazi regime.” The harsh fate that befell Alfred Krupp following a U.S. successor trial to Nuremberg resulted largely from the combine’s inhuman treatment of forced workers from concentration camps, for unlike their Japanese counterparts Krupp companies left a paper trail of their use of slave labor.<sup>43</sup> On the other hand, much as SCAP cancelled designations of all 56 zaibatsu family members in July 1951 and permitted purged appointees to resume their old positions, the Allied High Commissioner in Germany amnestied Alfred Krupp and revoked the confiscation of his property in January 1951; two years later he would return to the direction of Krupp.<sup>44</sup>

The standard view for the occupation of Japan is that trust-busting permanently separated owner family members from their former combine firms. Yet the method by which the HCLC disposed of family-owned stock made it possible in at least one case for a zaibatsu family head to reclaim ownership and control of an ex-combine subsidiary. In disposing of confiscated stocks, the HCLC was to give purchase preference first to employees of each issuing firm and then to local residents at the sites of the company’s branches and factories.<sup>45</sup> The commission was next to offer shares to brokers for resale to the public and finally to put up for public auction any remaining stocks. By March 1950, of stocks worth more than ¥4 billion in paid-up value that the HCLC had sold, some 39 percent had gone to employees and about a fourth each to bidders in public auctions and to buyers in brokerage resales.<sup>46</sup> According to Noda Iwajirō, the employee-first policy enabled Ōkura Kishichirō to prevent one of his former subsidiaries, a hotel and golf resort, from falling into the clutches of a scrap-iron dealer from Kyushu. This upstart (*narikin*) businessman had promised to erect a statue of Kishichirō if he could acquire the resort from hotel employees who had obtained most of the stocks. The employees managed to thwart the Kyushu industrialist’s bid by selling their shares back to Kishichirō.<sup>47</sup> Ōkura had invested heavily in mining and trade before the surrender, but after the Occupation Kishichirō focused on hotel management, ironically hiring Noda, who had overseen the expropriation and sale of Ōkura zaibatsu stocks, to serve as president of his expanding hotel and resort chain.

<sup>39</sup>Ibid., 151.

<sup>40</sup>General Headquarters, SCAP, *History of the Nonmilitary Activities*, vol. 24, 126.

<sup>41</sup>Linda Goetz Holmes, “Mitsui: ‘We Will Send You to Omuta,’” in Peter Li, ed., *Japanese War Crimes: The Search for Justice* (New Brunswick, NJ: Transaction Publishers, 2003), 107-116.

<sup>42</sup>Harold James, *Krupp: A History of the Legendary German Firm* (Princeton: Princeton University Press, 2012), p. 224. I am grateful to my Dartmouth colleague Udi Greenberg for recommending this book.

<sup>43</sup>Ibid., 220-221.

<sup>44</sup>Ibid., 229-230.

<sup>45</sup>Bisson, *Zaibatsu Dissolution*, 116.

<sup>46</sup>Mochikabu Kaisha Seiri Inkaï, ed., *Nihon zaibatsu to sono kaitai*, vol. 1, p. 455.

<sup>47</sup>Noda, *Zaibatsu kaitai shiki*, 70, 198-199.

With the ending of their designated status, some members of other zaibatsu families also took up managerial positions, and even in more recent years the descendants of the families have been “sprinkled liberally throughout the roster of Japanese big business, sometimes in companies stemming from former zaibatsu segments.”<sup>48</sup> In the mid-1990s, for instance, a great-grandson of the founder of Mitsubishi, Iwasaki Yatarō, headed Mitsubishi Bank, and three great-grandsons of Yatarō’s brother Yanosuke were top officers at other companies. Meanwhile, four great-grandsons of Yasuda zaibatsu founder Zenjirō held high-ranking positions in various firms, and the sons of two of them were rising executives in Fuji Bank, successor to the former Yasuda Bank, “the financial wellspring of Yasuda enterprises.”<sup>49</sup> These examples, however, hardly amount to the reestablishment of former zaibatsu control over big businesses in Japan.

The zaibatsu families certainly suffered drastic reductions in their wealth, but they did so for reasons other than the zaibatsu dissolution program. The families took big hits from the capital levy that deprived them of huge portions of their assets, from the land reform that destroyed their positions as absentee landlords,<sup>50</sup> and above all from runaway inflation. But the 56 designated persons received substantial compensation for the securities they transferred to the HCLC: from December 1945 to December 1950 their net assets declined by a moderate 17 percent in nominal value.<sup>51</sup> The top three zaibatsu family groups did far better than the average for the designated ten groups. Just for their estimated shares of holding-company stock sold by the HCLC, the Mitsui families netted nearly \$1.2 billion on shares with a total paid-up value of about ¥630 million; the Mitsubishi families, almost ¥550 million on shares worth about ¥340 million; and the Sumitomo clan, around ¥460 million on shares worth about ¥260 million. But Yasuda, like most of the second-tier zaibatsu, failed to recoup full value, netting only ¥90 million on ¥145 million in paid-up holding-company stock.<sup>52</sup> Because of triple-digit inflation, however, the actual value of the family groups’ combined net assets plummeted by 97 percent.<sup>53</sup>

Figure 8: Estimated Compensation for Holding-Company Stocks Previously Held by Owner Families of the Big Four Zaibatsu

	<u>Paid-up Value</u>	<u>Net Compensation</u>
Mitsui	¥630 million	¥1.2 billion
Mitsubishi	¥340 million	¥550 million
Sumitomo	¥260 million	¥460 million
Yasuda	¥145 million	¥90 million

Source: Based on data in HCLC, *Final Report*, pp. 31, 33-34, 39, 41.

<sup>48</sup>Harold R. Kerbo and John A. McKinstry, *Who Rules Japan? The Inner Circles of Economic and Political Power* (Westport, CT: Praeger, 1995), 55.

<sup>49</sup>Ibid.

<sup>50</sup>Eleanor Hadley claimed that “the only *zaibatsu* fortune to have come through the ‘wringer’ of combine-dissolution, capital levy tax, land reform and severe inflation . . . is that of Sumitomo Kichizaemon.” Around 1970, when Hadley’s antitrust book appeared, Kichizaemon was among the highest taxpayers in Japan owing in large part to his vast holdings of forest land, which came through “intact” thanks to the omission of forests from the land reform program. Eleanor M. Hadley, *Antitrust in Japan* (Princeton: Princeton University Press, 1970), 60.

<sup>51</sup>Holding Company Liquidation Commission, *Final Report*, 67.

<sup>52</sup>Again, I calculated these estimates by multiplying the total values of holding-company securities transferred to the HCLC and the net proceeds from their sale by the percentages of the zaibatsu family-owned securities. Ibid., 31, 33-34, 39, and 41.

<sup>53</sup>Ibid., 67.

Still, if one assumes a conservative figure of ¥50,000 for the average net assets of the 97 percent of Japanese unaffected by the capital levy, then the levy caused the taxable net assets of members of the designated zaibatsu families to fall from 308 times those of non-levy payers to 47 times.<sup>54</sup> But, for Mitsui family members, if one includes the estimated compensation for the families' untaxed holding-company stocks, the figure rises to some 59 times the average for Japanese who were exempt from the capital levy. Considering a recent estimate that in Japan today corporate CEOs earn 62 times the average person's salary,<sup>55</sup> one would have to conclude that zaibatsu dissolution under the Occupation hardly relegated Mitsui Takanaga and other ex-zaibatsu family members to the mass middle class of postwar Japan, let alone wiped out their wealth and reduced them to a state of impoverishment.



New articles in this journal are licensed under a Creative Commons Attribution 3.0 United States License.



This journal is published by the University Library System, University of Pittsburgh as part of its D-Scribe Digital Publishing Program and is cosponsored by the University of Pittsburgh Press.

---

<sup>54</sup>Suzuki, "Zaibatsu kaitai, zaisan zei."

<sup>55</sup>Wei Lu and Anders Melin, "The Best and Worst Countries to Be a Rich CEO," *Bloomberg*, November 16, 2016, <https://www.bloomberg.com/news/articles/2016-11-16/ranking-where-to-work-to-be-a-rich-ceo-or-richer-than-neighbors>.