

The “Gōshū Zaibatsu” in Japan’s Cotton Empire

Long after Itōchū became a trading behemoth—ranked among the Fortune Global 500 and second only to Mitsubishi until recently, when it outstripped its rival to become Japan’s biggest trader¹—the company still proudly claims to be “descended from an Ōmi merchant” and “values the spirit of ‘sampo yoshi.’”² That merchant was Itō Chūbē, a peddler of textiles from Toyosato Village. Known as the “last Ōmi shōnin,”³ Chūbē began his career in the twilight of Tokugawa rule and opened shop in the cotton metropolis of Osaka on the heels of the restoration. He soon set about expanding his business abroad, kickstarting its transformation into a pioneering trading firm. Itōchū was ushered into being by his son and namesake, with an understanding of overseas trade that became etched permanently in the company’s sense of identity: a rescaling of ancestral business, rather than its displacement, from the local to the global theater of competition.

To trace the Itō enterprise across the two generations of Chūbē is to track the history of Japan’s textile industry from the vantage point of a region. The family and corporate archives illustrate the role of provincial actors and traditions previously not visible in national and global histories of cotton textiles—a driver of Japan’s industrial capitalism in the first half of the twentieth century. Central here is the question of continuity versus change. Historians have long stressed the Tokugawa legacy as the basis for modern industrial growth, focusing on the role of the countryside and enterprising farmers—not to speak of the costs borne by young female textile workers—while paying comparatively little attention to merchants.⁴ On the other hand, many scholars, liable to accept the supposed declension of Ōmi shōnin, have taken for granted the leadership of the developmental state and its bourgeois allies after 1868.⁵ Provincial merchants remain on the sidelines in this Tokyo-centered narrative of industrial revolution, pride of place given to the big conglomerates of Mitsui and Mitsubishi. As is well known,

these zaibatsu dominated the heavy industries—shipbuilding, iron and steel, locomotives, munitions—that also fueled Japan's imperial expansion in Asia.⁶

But beneath this partnership of industrial dynasties and policy makers operated many provincial actors who supported Japan's metamorphosis into a capitalist empire from below.⁷ While the heavy industrial sectors continued to depend on state support and subsidies long after the initial period of gestation, the cotton textile industry drew on the private entrepreneurship and long expertise of merchants in Kansai. Mostly based in Osaka, a city built by merchants who "nourished little respect for politicians," these provincials, along with their better-known competitors in Lancashire, became major players in the world cotton market, a story buried in the global history of capitalism.⁸ Even more obscured is the emergence and existence of the "Gōshū zaibatsu," a loosely organized network of Ōmi-born merchant capitalists and entrepreneurs primarily engaged in the textile industry.⁹ Although the term *zaibatsu* is usually reserved for the likes of Mitsubishi and Mitsu, the collective influence of Ōmi merchant capital in the industry was powerful enough to garner recognition as constituting a provincial zaibatsu of its own.¹⁰ Viewed as "too risky a venture" and long "shunned" by big zaibatsu, cotton manufacturing "became a secondary pole of financial capitalism" to be occupied by merchants and industrialists of Kansai.¹¹ They formed a powerful cotton lobby to exert monopolistic control over the supply chain, where Ōmi merchants left their mark as importers of raw cotton, owners of mills, and distributors of finished goods.¹²

The global microhistory of Itōchū, too, deepens our understanding of family capitalism. Characterized by close family control over ownership and management, this form of enterprise enjoyed resilience from the early modern era, as it did among merchant diasporas, otherwise assumed to have died with the rise of nation-states.¹³ Comparable to the case of British merchant firms,¹⁴ Itō's centuries-long trajectory provides a window into two connected processes of change across scale and through time: how traditional merchant houses evolved into multinationals—the so-called general trading companies (*sōgō shōsha*)¹⁵ in Japan—and how the modern organizational form in international business developed as a blend of old and new practices. Neither a purely Meiji creation nor a full-blown general trading company like Mitsui Bussan before 1945, Itōchū offers a critical provincial perspective on these processes missing from existing scholarship.¹⁶

Nor did family capitalism ineluctably give way to a more advanced and rational form of "managerial capitalism," a transition purportedly spearheaded by pre-war zaibatsu.¹⁷ For its ability to manage risk and generate a high degree of trust in response to market failure, Harold James points out, family capitalism proved historically durable and particularly effective in times of political and economic upheaval.¹⁸ This was amply borne out by the Itō enterprise. It relied on the advantages of family control, not just skilled managers, to survive moments of great uncertainty and risk endemic to the cotton trade and empire, even capitalizing

on these turning points to diversify and expand. By twinning imported practices with inherited traditions of doing business—a process of grafting that drove the capitalist transformation of cotton weaving in Kansai at large¹⁹—Ōmi merchants became a dominant force behind Japan's rise in the global economy, but without undermining their provincial foundation.

The overseas expansion of Ōmi merchant capital was part and parcel of a larger story of Japan's cotton imperialism in Asia. Textile trading firms like Itōchū became key agents of expansion vis-à-vis the diasporic Chinese, developing their own links to colonial and world markets and perfecting the technique of direct trading.²⁰ While supplying captive markets in East Asia for the domestic textile industry, which began moving production offshore, Itōchū and other members of the Gōshū zaibatsu, too, diversified from trading into manufacturing. Led by spinning companies in Osaka, cotton capital joined hands with a rising Pacific empire to open new frontiers of production, from the Chinese continent to the southern islands of Nan'yō. Ōmi merchant capitalists were at the forefront of these developments, fueling Japan's ever-widening ambitions across the ocean.

THE RISE OF THE GŌSHŪ ZAIBATSU

For the goal of overcoming the unequal treaties with the West, Meiji Japan strove to build an industrial and capitalist economy on a par with England. Key to this effort was the promotion of textile production and trade. A prime motor of industrialization along with silk, cotton goods—textiles, threads, and yarns—became the most important element in Japan's policy of import substitution. But if the state took the initiative in building mills and importing advanced technology, the impetus for transforming agrarian Japan into an exporting nation came from cotton merchants in Osaka and its vicinity. In the 1880s they pooled their capital to launch a dozen spinning companies, the largest of which was Osaka Spinning. Founded at the encouragement of the famed entrepreneur Shibusawa Eiichi, Osaka Spinning spearheaded the mechanization of production by operating Japan's first private mill with "10,500 spindles from Lancashire." It was only after their hard lobbying that the Tokyo government, more inclined to protect the interests of farmers, fully rallied behind the nascent cotton industry. Having coalesced to form the Japan Spinners Association in 1882, the cotton merchants and industrialists mounted a spirited eight-year campaign to repeal the government's export tax on yarn and the import tariff on raw cotton. With their goals accomplished in the 1890s, the association evolved into a powerful cotton lobby centered on Kansai.²¹

More merchants of Ōmi soon joined the association, providing the financial wherewithal needed for marketing and exporting cotton goods abroad.²² Adjoining the cotton-growing complex of Osaka, the province of Ōmi itself was a major producer and exporter of textiles, especially hemp cloth. The inherited geography of textile trade and finance made Ōmi-Shiga a significant pole of capital

investment. Although its status was somewhat exaggerated through a comparison to Manchester,²³ the Meiji state actively tapped local expertise, capital, and networks to promote Japan's textile industry.²⁴ Encouraged by prefectural governors, Ōmi merchants based in Osaka created many textile companies, while building spinning mills in their home districts of Shiga.²⁵ The industry in its early years was driven by this pattern of cooperation between local officials of samurai background and established merchants of Ōmi, bound by a patriotic goal to counter foreign imports that had begun to flood the domestic market.²⁶

Emblematic of their cooperation was Kanakin Weaving (1888), Japan's first company specializing in "coarse cloth" (*kanakin*). Its founders included an array of powerful Ōmi merchants, but members of the Abe family clan from Notogawa, who had for generations traded in hemp cloth, held its effective leadership.²⁷ Kanakin Weaving exported most of its cloth to Korea, with Abe Fusajirō (1868–1937) personally leading the company's effort to break into the continental market. When it faced rising competition from two big spinners in Kansai, in 1906 the three companies resolved to form an export cartel, and Kanakin Weaving then merged with Osaka Spinning to corner the Korean market for Japan-made cloth. The newly consolidated Osaka Spinning continued to embrace Abe and other Ōmi merchants in its board, including Fujii Zensuke and Tatsuke Masajirō (1863–1933; Itō Chūbē's nephew).²⁸ After eight years of steady growth, the company merged with another in 1914 to become the industrial giant Tōyō Spinning, with Abe assuming the presidency (and becoming chair of the Spinners Association) in 1926.²⁹ These initiatives exemplify how some of the largest modern industrial enterprises grew out of old merchant networks rooted in Kansai.

Ōmi merchants who had begun operating in Korea well ahead of these spinners came to market their products as well. Among the most entrepreneurial was Fukunaga Seijirō (1864–1935). He crossed over to Pusan in 1886 to take over his uncle's grocery business, Takase Store, but soon switched its focus to cotton goods, targeting Koreans clad in traditional white dress. Fukunaga sought to undercut the dominance of Chinese merchants by importing cotton cloth directly from Manchester. After annexation, he devoted himself to selling a new line of fine cloth made by Osaka Spinning and other Japanese companies. Takase Store reportedly came to handle as much as 80 percent of Japan's cotton trade in Korea after World War I. Fukunaga led a growing community of expatriate merchants who, with the help of the Japanese-controlled Bank of Korea, mediated an emergent pattern in Japan's trade to import raw cotton and export yarn and cloth to its sphere of influence in East Asia.³⁰

As domestic production and the export of yarn increased in the 1880s and 1890s, so did the need to import raw cotton. Faced with a tide of foreign imports, Japan's success in cotton industrialization hinged on how best to minimize the cost of purchasing the raw material from around the Pacific world—both cheaper cotton from China and finer-quality cotton from British India and the United

States—which absorbed the majority of production costs.³¹ Drawing on their stock of knowledge in textile wholesaling, many Ōmi merchants participated in the creation and management of Japan’s earliest companies to import the much-needed cotton for domestic spinners. Naigai Wata (1887), with Abe Hikotarō (1840–1904) as the founding president,³² and Nippon Menka (1892) in Osaka, soon rose alongside Mitsui Bussan (1876) to lead this effort, determined to lessen dependence on foreign agents in Kōbe.³³

More distinctive was Gōshō Co. (1905), a joint-stock company born of rare collaboration among “trueborn Ōmi shōnin,” including the aforementioned trio, Abe Fusajirō, Fujii Zensuke, and Tatsuke Masajirō, who had by then accumulated years of experience in spinning companies.³⁴ After focusing for a decade on importing Indian and American cotton, Gōshō actively cultivated export markets for Japanese cotton yarn and cloth, opening branches across China (Shanghai, Hankow, Tianjin, Hong Kong, Dalian) as well as in Calcutta.³⁵ When it began expanding into Southeast Asia following World War I,³⁶ Gōshō ranked alongside Nippon Menka and Tōyō Menka (founded by another Ōmi native and a graduate of Hasshō, Kodama Ichizō [1881–1930]³⁷) to form the “Big Three,” which dominated Japan’s textile trade with “offices in all the cotton centers of the world.”³⁸

Owing to this synergy between cotton spinners and trading firms—forged by merchant capitalists, many of Ōmi origin, to an extent unseen in Lancashire—Japan’s cotton goods claimed a dominant share of the home market by 1890,³⁹ and their exports soon exceeded imports.⁴⁰ By 1900, Japanese manufacturers had overtaken their British and U.S. competitors in supplying the majority of China’s yarn and cloth imports.⁴¹ Having rid themselves of Chinese compradors ahead of their Western rivals, Japanese spinners proved themselves equally capable of forming a united front; they organized an export cartel vis-à-vis English textiles in Korea and American cotton cloth in the Manchurian market, surpassing them both from 1909.⁴²

The global spread of Japanese textiles also spurred what the historian Sven Beckert has termed “new cotton imperialism”: the expansion of cotton production beyond the home islands to overseas and colonial territories.⁴³ Cotton textiles cemented a link between industrial capitalism and empire, none tighter than in Japan’s economy led by the light industrial sector into the mid-1930s. As the industrial revolution kicked into gear, Japan moved beyond cotton marketing to pursue two interrelated projects in colonial Asia. One was the expansion of cotton-growing to Korea to supply the metropolitan industry and world markets—an effort extended to Nan’yō during the Asia-Pacific War. Japan’s cotton empire, much like its Western counterparts, was driven by a desire to achieve raw-material independence for the nation.⁴⁴ Japanese leaders particularly “hoped to disentangle themselves from the British Empire”—an ambitious goal given that India supplied more than 60 percent of its cotton imports by 1909. Shortly after Korea became Japan’s protectorate in 1905, politicians joined forces with bureaucrats and

spinners to expand cultivation there by launching the Korean Cotton Corporation in Osaka, with a branch in Mokp'o. Powerful Ōmi merchant capitalists like Tatsuke Masajirō also participated in the colonial venture.⁴⁵ By advancing loans to Korean peasants or sending agents to purchase cotton directly from growers, the corporation procured for metropolitan spinners "much of the raw cotton produced in the peninsula's southern cotton belt." For drafting Korean farmers and fields into cultivation, Japanese administrators drew on the best practices of rival cotton regimes—in the German Togo, the French Soudan, and the British Sudan—from "agricultural experiments to improve yields and quality" to "state supervision of the selling of the crop."⁴⁶

The second project of Japan's cotton empire, pursued most rigorously in the treaty ports of China, was a territorial expansion of cotton manufacturing. For the merchants of Kansai, it was also bound up with their own effort to liberate themselves from Chinese intermediaries, or "the Levantines of Asia"⁴⁷ of mainly Cantonese origin ensconced in treaty ports. Such opportunity arrived after the Sino-Japanese War, when the Treaty of Shimonoseki in 1895 granted the victorious Japanese the right to build and operate cotton mills in China, besides gaining access to new markets. But most spinners didn't move their production offshore until World War I, when Japan's cotton exports to China began to fall in the face of new competition from Chinese factories and rising wages at home.⁴⁸ One Japanese industrialist after another arrived to buy or build their own mills in treaty ports—collectively known as *zaikabō*—taking advantage of low labor and production costs. With the exception of mills owned by Mitsui Bussan, a complex of *zaikabō* that emerged in Shanghai was effectively an overseas extension of the Osaka cotton industry, led by Naigai Wata⁴⁹ and the Big Three. They came to dominate the Chinese cotton-spinning industry so quickly that by the early 1920s "the price of yarn in the Chinese market was being determined on the Osaka [Three Staples] Exchange," "the central nerve system of textile Japan" run by many Ōmi merchant brokers.⁵⁰ Less obvious but also crucial was the penetration by Ōmi capital of the Chinese cotton industry as founders, managers, and shareholders of these firms—a territorial drive that would be extended to North China by Itōchū.

These textile industrialists and the monied class of capitalists from Ōmi together wielded influence as the *Gōshū zaibatsu* in Japan's cotton empire (table 2). By 1930, business expansion of "Gōshū people" driven by native-place ties apparently was so remarkable in the eyes of some observers as to prompt dubious speculation about their Jewish origins.⁵¹ Ascending fast to the top of this clique in the 1910s and 1920s was Itōchū. In contrast to Gōshō, Naigai Wata, and others that began as importers of raw cotton, Itōchū had its origins in textile wholesaling, the defining province of Ōmi *shōnin* since the Tokugawa period. Itō Chūbē was a relative newcomer to Osaka, where Ōmi merchant stores of long standing—among them Inanishi, Hoshikyū, Mataichi, Chōgin—already controlled the cloth market, retaining their clout well into the 1930s.⁵² Yet Itō was one of the earliest wholesalers

TABLE 2 Key members of the “Gōshū zaibatsu”

Sector	Company	Founding Year (Location) ^a	Founder(s) / President	Other Ōmi-Born Executives
Textile wholesale	Tonoyo 外与	1700 (Nara)	Tonomura Yozaemon V	
	Morigo 森五	1714 (Edo/Tokyo)	Mori Gorōbē	
	Hoshikyū 星久	late 18th c. (Kyoto)	Matsui Kyūzaemon III	
	Abeichi Shōten 阿部市商店	19th c. (Kyoto; Osaka)	Abe Ichirōbē & Ichitarō	Abe Ichirōbē X (of Abe Ichirōbē Shōten Co. 1925), Fusajirō, and other Abe Clan members.
	Inanishi 稲西	1813 (Osaka)	Inamoto Riemon & Nishimura Jūrobē	
	Chōgin 丁吟 (formerly Chōjiya 丁子屋)	1831 (Edo/Tokyo)	Kobayashi Ginemon II	
	Yamanaka Shōten 山中商店	1807 (Kyoto); 1860 (Osaka)	Yamanaka Riemon	
	Maekawa Shōten 前川商店	1867 (Osaka); closed in 1926	Maekawa Zensaburō / Yasuke	
	Marunaga Shōten 丸永商店	1879 (Osaka)	Fuwa Ejirō	
	Kitagawa Shōten 北川商店	1891 (Yokohama) → 1898 (Osaka)	Kitagawa Yohei	
	Mataichi 又一	1920 (Osaka)-hived off from Abeichi Shōten	Abe Ichitarō III	Abe Clan members
	Tatsuke Shōten 田附商店	1902 (Osaka)	Tatsuke Masajirō	
	Fujii Shōten 藤井商店	1907 (Kyoto)	Fujii Hikoshirō	
	Koizumi Jūsuke Shōten 小泉重 助商店	1915 (Osaka)	Koizumi Jūsuke III	

(Continued)

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Sector	Company	Founding Year (Location) ^a	Founder(s) / President	Other Ōmi-Born Executives
Trading	Takase Gōmei Co. 高瀬合名 会社, Osaka Branch	1917 (Pusan, Korea)	Takase Seitarō	Fukunaga Seijirō
	Tsukamoto Shōten 塚本商店	1920 (Tokyo; merged a cognate Tsukamoto Co. founded in 1892)	Tsukamoto Sadaemon	
	Marubeni 丸紅	1921 (Osaka; originated from Benichū founded in 1872)	Itō Chōbē VII	Furukawa Tetsujirō; Tatsuke Masajirō
	Goshō 江商	1905 (Osaka)	Nose Shichirōbei, Kitagawa Yohei, Abe Fusajirō, Fujii Zensuke, Tatsuke Masajirō	Abe Ichitarō IV (president as of 1928)
	Itochū Shōji 伊藤忠商事	1918; 1921 (Osaka; originated from Benichū founded in 1872)	Itō Chūbē II	Itō Takenosuke, Nakamura Shintarō, Fujino San'ichi, Itō Kōtarō
	Tōyō Menka 東洋綿花	1920 (Osaka)	Kodama Ichizō	Tatsuke Masajirō
Spinning	Ōmi Hemp Yarn Spinning and Weaving 近江麻糸紡織	1884 (Ōsu) → after mergers, Teikoku Hemp Spinning, 1907 (Tokyo)	Abe Ichitarō, Ikari Yazaemon, Shimogō Denpei, et al.	
	Naigai Wata 内外綿 ^b	1887 (Osaka)	Abe Hikotarō (founding president)	Abe clan members
	Kanakin Weaving 金巾製織	1888 (Osaka); merged by Osaka Spinning in 1906	Abe Ichirōbē (pres); Abe Ichitarō, Koizumi Shinsuke, Nakamura Ihhē, Nishikawa Teijirō	Abe Fusajirō, Fujii Zensuke, Tatsuke Masajirō
	Ōmi Canvas 近江帆布	1897 (Hachiman)	Mori Gorōbē, et al.	Nishikawa Jingorō, Nishikawa Shōroku, Abe Ichitarō, Fuwa Ejirō

	Mackawa Woven Cloth 前川織布	1908 (Osaka)	Mackawa Zensuke	
	Tōyō Spinning 東洋紡績	1914 (Mie)	Abe Fusajirō (president: 1926–1935)	Abe Fusajirō (from 1914); Abe Hikotarō
	Kureha Spinning 呉羽紡績	1929 (Osaka)	Itō Chubē II	Toyoda Risaburō, Itō Takenosuke
	Shōwa Rayon 昭和レーヨン	1929 (Osaka)	Abe Fusajirō	
	Manufacturing Nishikawa Jīngorō Shōten 西川甚五郎商店/ Ōmi Mosquito Nets Manufacturing 近江蚊帳製造	1586 (Hachiman) → (Edo/Tokyo)	Nishikawa Jīngorō XI	
Finance	Osaka (Three Staples) Exchange 三品取引所	1894 (Osaka)	Tatsuke Masajirō (founding member)	Kitagawa Yohei, Kawabata Torakichi, Obara Urin, Yamada Tomekichi, et al.
	Bank of Ōmi 近江銀行	1895 (Osaka); closed in 1928	Koizumi Shinsuke, Yamanaka Riemon, Itō Chubē I, Shimogō Denpei, Nakamura Jihē, Tsutsumi Sōhei, Abe Ichirōbē, Abe Shūkichi	Seo Kibē, Nishida Shōsuke, Kitagawa Yohei, Shimogō Denpei, Abe Ichitarō, et al.

SOURCES: Jinji Kōshinjo 1903, 1915, 1928; Daiyamondosha 1928, 1930, 1934; *Osaka Mainichi shinbun*; Takaya 1907; Hirase 1911; Ōsaka Furitsu Shōhin Chinretsujō 1919; Okamoto 1930; Ōsaka Mainichi Shinbun Keizaiibu 1932; Senji Seisan Rengōkai 1943; Shigaken Kyōikukai 1951; Itōchū Shōji Kabushiki Kaisha Shashi Henshūshitsu 1969; Shiga Kenshi Hensan Inkai 1980; Enami 1989, 1990; Denda 1993.

^aFor stores founded esp. in the Tokugawa period, “(Location)” refers to where the first of many “branches” was opened by an Ōmi merchant (whose peddling career began earlier and whose headquarters remained in Ōmi). It also corresponds to the main business base after founding, unless otherwise noted. In established merchant families, it was customary for the family head to inherit the name of the founder; the generation of a successor is specified only where confirmed by sources.

^bNaigai Wata was not strictly a member of the Goshū zaibatsu, but is included here for its close ties to the network of Ōmi merchants (including its founding president and executive members from the Abe family).



FIGURE 6.
Itō Chūbē, the
founder of Itōchū.
Source: Itochu
Corporation,
“Shōnin no gunzō”
(<https://www.itochu.co.jp/ja/about/history/gunzo.html>). Courtesy of
Itochu Corporation.

to expand abroad, building the basis for a multinational firm on the strength of his ancestral business.

PERSONAL CAPITALISM OF ITŌ CHŪBĒ, THE FOUNDER

The Itō family homestead was located in Toyosato Village (Hachime) in the Inukami district. Chūbē (fig. 6) was born to a landed farmer, whose ancestry traced to the Ōmi Genji military clan. He undertook commerce on the side,⁵³ and by the time Chūbē was born in 1842, peddling dry goods had become the main family occupation. From 1853, the year of Perry’s arrival, Chūbē joined his older brother in peddling in nearby villages. When he turned fifteen in 1858, Chūbē began accompanying his uncle on more distant sales trips and soon ventured on his own to Osaka and Kishū selling hemp cloth. That year is designated as the founding

year of Itōchū—a gesture signifying the emphasis the Itō family placed on its identity as the Ōmi shōnin.

According to the family genealogy, Chūbē from early on demonstrated keen business instinct and an uncanny ability to turn crisis into an opportunity. Having ventured into a new market in northern Kyūshū,⁵⁴ Chūbē expanded his business turf to Chōshū in the midst of civil war, shipping in hundreds of rolls of cloth for the stranded local merchants.⁵⁵ His career took a further turn after the collapse of the Tokugawa shogunate in 1868. The international treaties that swiftly followed brought "black ships, foreigners, and foreign merchant houses" to our shore, he recalled later, "as if Japan has suddenly shrunk." This space-time convergence, along with the radical adjustment of worldview it prompted, animated the wide-eyed Chūbē with an ambition to scale up from domestic to foreign trade.⁵⁶ "Seeing no future" with itinerant peddling, in 1872 Chūbē left for Osaka to pursue his new dream by opening a dry goods store, Benichū.

Chūbē's quick ascent in the cotton trade thereafter owed as much to his business acumen as to political turmoil of the 1870s. The last major samurai rebellion of 1877 in particular created a spike in demand for textile goods, fetching higher prices in the context of shortage. The war and its aftermath brought a roaring trade to Benichū, with "customers fighting over goods like hungry beasts," a former clerk recounted, when Chūbē was even dubbed "Mr. Saigō" after the rebel leader. Chūbē braced himself for the repercussions, however. To hedge against an impending recession, he took a "cash-only policy," while dispatching clerks to buy up government bonds. And he "blithely earned a fortune" when commodity prices slumped to a third or half of their value in the early 1880s, as the Finance Minister's deflationary policies sent many into bankruptcy.⁵⁷

Chūbē soon began to diversify his business. He opened a Kyoto branch that specialized in dyed fabrics and another store in Osaka to sell woolen fabrics imported directly from London. In 1892, furthermore, he entered the cotton yarn market by launching a thread and yarn store from which Itōchū would emerge. Around the same time, Chūbē made forays into transpacific trade, still an uncharted territory for most Japanese merchants. In partnership with his nephew, Sotōmi Tetsujirō, he started a trading firm in Kōbe, setting up an office in San Francisco to market Japanese textiles and miscellaneous goods. The two men also turned their eyes to the Chinese continent. In the wake of the Sino-Japanese War, they joined hands with other Ōmi merchants to open a textile business with an office in Shanghai, importing raw cotton and exporting Japanese yarn. Each of these overseas ventures represented an attempt to bypass foreign trading agents in Japan's treaty ports and their hefty commissions, deemed a hindrance to its economic sovereignty.⁵⁸ Driven by a sense of patriotic mission, both the undertakings in San Francisco and Shanghai, nonetheless, proved fleeting. It would take another generation for the Itō family to acquire the business know-how of Western traders and "skills needed to deal effectively with Chinese merchants" in the global arena.⁵⁹

Chübē, meanwhile, consolidated the basic architecture of store management. When opening shop in Osaka, he set down the Itō Store Code to clarify the rights and duties of all employees; like its Tokugawa-era precursors, it incorporated Buddhist emphasis on "harmonious cooperation" and "cultivation of personnel."⁶⁰ Grafted onto these age-old precepts was the modern idea of "open discussion." Among the most innovative aspects of Chübē's store was the introduction of "a system of deliberative assembly" in 1885.⁶¹ Chübē gathered employees of all ranks every month to discuss every facet of the store's business, from market trends to selection of merchandise and adjustment of prices.⁶² The inspiration came from the Charter Oath of 1868. The Itō store policy stipulated that "all affairs shall be decided by public opinion" (*banki kōron ni kessuru*), language borrowed directly from the first article. The ongoing Movement for Freedom and People's Rights, too, influenced Chübē's eagerness to solicit opinions from junior clerks, an idea foreign to traditional merchant houses. Not only were clerks encouraged to express their views freely and candidly, but all decisions pertaining to the store's business were made by a majority vote, which could not be overturned "even by the house master." Indeed, Chübē carried out a "democratization of management," as the company history bills it, fully "five years before the opening of the first imperial assembly."⁶³

What appeared to be inventions of the Meiji era also built on some long-standing Ōmi merchant customs. Itō stores, for instance, adopted the use of "double-entry bookkeeping," and the policy of "dividing profit into three parts" (*mitsuwari*)—that is, dividends for the stem family, a reserve fund for the main store, and dividends for clerks.⁶⁴ The latter policy of profit sharing reflected a universal concern of family-run businesses to extend the benefits of store growth to employees in order to maintain their work motivation and corporate loyalty.⁶⁵ All Itō stores also hired and trained clerks according to the inherited system of apprenticeship, *zaisho nobori* (chapter 1). Chübē employed exclusively Ōmi-Shiga natives, relying on recommendations of relatives as well as village mayors and school principals, who informally vetted prospective hires.⁶⁶ Although apprenticeship was rigorous and the dropout rate high,⁶⁷ every employee was treated as a family member who entered into a relationship of trust and lifelong loyalty to the Itō clan.

After placing his stores on a firm footing, Chübē delegated them to head clerks or managers, while he himself lived in Toyosato Village—like generations of Ōmi merchants who had remained anchored in their places of origin as masters of households, village headmen, and benefactors to their communities.⁶⁸ Equally critical to the Itō family's business was the role of his wife, Yae (1848–1952). As expected of women in Ōmi merchant houses, Yae assumed responsibility for new hires and apprentices for all Itō stores. At the stem family's home, she taught them manners and basic skills—reading, writing, and the use of the abacus—necessary for clerks. On behalf of managers, she carefully assessed the individual character of apprentices and dispatched them to stores as befitted their aptitudes. Admittedly,

her myriad responsibilities for the daily upkeep of stores were menial: "purchasing rice to be shipped to each store, preparing pickled vegetables and plums, selecting and trimming leaf tobacco for clerks," and sewing and washing the clothes and futon mattresses of employees.⁶⁹ But Yae, a woman of sturdy build and exceptional health, also cut an impressive figure in a masculine work environment. She "alone took charge of purchasing Ōmi hemp cloth," the mainstay of family business in its early years and handled a huge volume daily, giving instructions to couriers who began loading the cloth "from 3 a.m." "Rather than a full-time housewife or a mother," as Chūbē II later reflected on his mother's dominant influence, the wife of an Ōmi merchant was his inseparable "business partner."⁷⁰ Such partnership, to be sure, was premised on the "invisible" agency of Ōmi women (*naijo*) within the strictures of a patriarchy as discussed earlier. Still, the centrality of Yae—who outlived her husband by fifty years, performing many roles well into her eighties—and other wives of local renown appears to complicate a simple equation of the rise of capitalism with institutionalized exclusion of women, skilled male managers dislodging female relations in family-run enterprises.⁷¹

The overall operation of Itō stores may be summed up in terms of personal or family capitalism,⁷² with their ownership and management in the hands of the patriarch and his family. Chūbē managed his stores collectively as "a cooperative," as he explained to his employees, each invested in the essential duty to bolster Itō's name and fortune.⁷³ His paternalistic policy treated clerks not as a labor commodity but "as if his own children" (many of whom testified later, citing times of illness or *sukiyaki* parties and outings that dotted their social calendar). Keen to embed their religious belief into the fabric of their family firm, contemporary Quaker businessmen pursued similar strategies, translating "the brotherhood of man" into their duty to ensure the welfare of employees, along with egalitarian relationships and rituals in the workplace. Nonetheless, if the Quaker ethic empowered the workers to demand better wages and labor conditions, Chūbē's benevolence demanded complete subjugation of the self to the Itō family.⁷⁴

Insofar as Ōmi merchants conceived of their trade as protecting ancestral wealth first and foremost, the family offered not a mere buffer against the volatile market, but potentially "an alternative locus of loyalty . . . to the state."⁷⁵ Yet Chūbē and his successors took care to stress corporate loyalty as coextensive with loyalty to the nation. "A fervent imperial loyalist," Chūbē considered the survival of his family store, like that of Japan's "family state" centered on the emperor, an obligation of each member and a debt to his ancestors (to whom business performance was reported annually in front of a mausoleum). "To fulfill one's work faithfully is the basis for true loyalty to the country," Chūbē used to tell his son.⁷⁶

Frugal, hardworking, pious, nimble, self-reliant, and "loathe to put his name out in the open"—these traits thought to be the hallmarks of Ōmi *shōnin* punctuate the hagiographic records of Chūbē. Oral and written testimonies of his family, friends, and former employees offer a glimpse, at least, of Chūbē's style

and temperament as a store owner. Chūbē reportedly demonstrated by personal example what he wished to instill in his clerks, especially the Ōmi precepts of thrift and diligence. In daily life, his biography tells us, Chūbē betrayed no signs of wealth, wearing casual padded kimono even to business meetings and insisting on simple meals. And like his Tokugawa antecedents, Chūbē habitually lectured his sons and employees on the perils of speculation, for it would be to risk the entire family.⁷⁷

Yet Chūbē apparently liked to deploy "gambling" as a metaphor for business. On New Year's Day, for instance, he would gather his family, clerks, and housemaids to play a card game, closing the evening with the following words of wisdom:

Gambling requires making quick calculations. . . . The key to commerce is to watch the movements of the enemy's hands and of your own. And always concentrate your mind. . . . The difference in one card, one point, determines the overall outcome. One who loses in gambling is a loser in life.⁷⁸

Analogizing business to a game of chance, Chūbē explained his trade as a form of entrepreneurial daring that demanded focus, agility, and precision.⁷⁹ The ability to manage risk was essential to cotton trade, whose market volatility epitomized what Jon Levy calls "the economic chance-world of capitalism."⁸⁰ Cotton merchants should be attuned to price fluctuations as well as to the "latest fashions," Chūbē would tell his clerks, even encouraging them to visit the pleasure quarters for this purpose.

Like many pious Ōmi merchants before him, Chūbē led his family business as a life of religious devotion. His typical day began with prayers, as did each of the three meals, when all employees would "solemnly lay their chopsticks in front of the Buddhist altar," according to a former clerk at the Kyoto store.⁸¹ Not content with visiting local temples, Chūbē also invited prominent monks to offer a sermon to his employees, customers, and friends every month.⁸² As a follower of Shin Buddhism, Chūbē ardently believed in commerce as a public good. This idea had contemporary parallels; Christian entrepreneurs, for example, drew no normative distinction between business and social service in their justification of free enterprise. If an evangelical ethos of altruism powered American capitalism, as Bethany Moreton has shown,⁸³ the ideal of *kyōson kyōei* (coexistence, co-prosperity) fueled the personal capitalism of Chūbē, who sanctified commerce as "the work of Bodhisattva" to meet the needs of society.⁸⁴ Construing business as charity also offered a way for Ōmi merchants to reconcile the seemingly contradictory pursuits of religious devotion and risk taking: acts of piety that do not expect any return and acts of investment that do. This concern may have, indeed, guided Chūbē and other Ōmi merchants who launched and funded many insurance companies in the Meiji period.⁸⁵ Their underlying "impulse 'to save the people,'" according to the historian Tetsuo Najita, can be traced to the Tokugawa-era *kō* (mutual aid cooperative). It is not surprising that risk-taking merchants of Ōmi, who had pioneered this cooperative practice, should also take entrepreneurial initiative in insurance, a modern

financial instrument that arose with a novel, corporate style of managing risk in the age of capitalism.⁸⁶

Shin-Buddhist Followers' Life Insurance was among a raft of corporate ventures in which Chūbē invested surplus capital from the mid-1880s to diversify his business portfolio. A surviving record of his investments conveys a sense of financial prudence. Each business was evaluated thoroughly and quickly struck off the list when judged inferior. In some cases, Chūbē bought the company's shares under his manager's name—a variation of a well-known strategy to avert investment risks by using the names of fictitious persons.⁸⁷ But he also made an exception to ventures bearing the name of Ōmi. None involved higher personal stakes than the Bank of Ōmi, created in 1893 to support local merchants in the cotton industry⁸⁸—that is, to "internalize" finance within the network of the Gōshū zaibatsu (much like a large zaibatsu was centered around a bank). When a crushing recession struck in 1900, Chūbē, despite failing health, assumed the presidency to rescue the bank from the verge of bankruptcy, "lest it be a disgrace to Ōmi shōnin." Reportedly working around the clock, even going so far as to personally collect deposits on a rickshaw, he managed to put the Bank of Ōmi once again on a secure footing. But the arduous task also took its toll on his health. It was the last major feat Chūbē accomplished before his death in 1903.⁸⁹

By the final years of Chūbē's life, the Itō family became a diversified enterprise, engaged in wholesale of kimono fabrics, direct import of woolen cloth, domestic trading of cotton yarn, and export of cotton goods, with a budding marketing network across the East China Sea. Chūbē also had joined the ranks of business magnates in Osaka, his name appearing alongside other renowned Ōmi merchants in a roster of "millionaires" in the local press. When Chūbē passed on, he left the thriving business to his heir, Chūbē II (born Seiichi, 1886–1973).⁹⁰ If his father had been "a paragon of Ōmi shōnin," as one metropolitan daily eulogized him in 1916, Chūbē II represented "the Gōshū shōnin of the new era," "one who shatters the typical conservatism of Ōmi merchants, yet exhibits their merits at their finest."⁹¹ Hagiographic rhetoric like this appeared in print frequently, as the Itō family increased its national and international profile under Chūbē II's reign. What began as a boosterist discourse on Ōmi shōnin would find new affirmation in the meteoric rise of the Itō enterprise, with legend-making spurring business expansion, and vice versa, in a self-reinforcing dialectic.

OVERSEAS EXPANSION OF THE ITŌ ENTERPRISE UNDER CHŪBĒ II

When Seiichi succeeded to the family business as Chūbē II, he was all of seventeen years old, with still a year left in Hasshō. After his graduation in early 1904, Chūbē II began learning the fundamentals of the trade by apprenticing in the head store, at his mother's insistence. Yae "made him start as a regular employee," sending him to do menial work like packing and shipping rather than easing him into a

managerial post.⁹² As a young heir, Chūbē II initially struggled to implement his vision of store reform; the idea of hiring school graduates, despite his being one, was still anathema to senior managers. More insurmountable, he recalled years later, was the "deification" of his father among long-serving clerks. Chūbē I's personal capitalism, they would stress, was distinguished by his ability to balance bold innovations with received customs, risk-taking with restraint, without swinging to either extreme.⁹³ This founder's "spirit" of braiding new and old would be upheld by his successors. Accordingly, Chūbē II "eschewed radical reforms" and opted to introduce small changes at a time, such as the use of bicycles for visiting clients. Hardly unique, his personal struggle symbolically captured, at a micro level, how the "industrial revolution" unfolded in Japan (and elsewhere) through a series of small adjustments and incremental steps, rather than a total rupture with the past.⁹⁴ But Chūbē II "also acted behind the managers' back," he admitted later, secretly learning English, for example.⁹⁵

Perhaps Chūbē II's most open act of rebellion was his decision to study industry in England from 1909 to 1910.⁹⁶ He spent the better part of the year in London, reading on his own and conducting some business for the store,⁹⁷ punctuated by periodic jaunts to Europe. Toward the end of his stay, Chūbē II enrolled in a polytechnic in Yorkshire, visiting local mills in his spare time to learn the mechanics of operating spinning machines.⁹⁸ And he grew convinced that "Japan should produce more rather than rely on foreign imports"⁹⁹—an ambition that would translate into his foray into textile manufacturing later. The time abroad also afforded Chūbē II a chance to take stock of his identity as an Ōmi shōnin through a comparative lens. In his correspondence with the store, for instance, he attributed the "extraordinary development" of Germans ("dubbed Europe's Chinese") to their values of "diligence, frugality, and perseverance," nurtured in his view by history and geography similar to those of "our homeland of Gōshū."¹⁰⁰ Thus linking Ōmians, Germans, and Chinese in a global genealogy of expeditionary people—not unlike the way the geographer Tanaka Shūsaku teased out a shared "diasporic character" from their migrant trajectories (chapter 4)—Chūbē II expressed equal admiration for his English hosts. Their nationalist consciousness, high public morality, and "strong sense of duty toward work as one's calling," he observed, accounted for "British expansion around the globe." Weaned on similar values in a Shin-Buddhist household, Chūbē II identified strongly with the ethical foundations he perceived to govern the industrial West at all levels, "from one family and one store, to the entire state"—what his contemporary Max Weber famously tagged the "Protestant work ethic." "Our Itō family should incorporate some aspects" of these "advanced nations,"¹⁰¹ he added, with a vision of rescaling the capitalist system for application to his own stores in Kansai.

During the six years of Chūbē II's apprenticeship and study abroad, the Itō enterprise, overseen by senior managers, rose in leaps and bounds across Japan's burgeoning East Asian empire. The Russo-Japanese War gave Japan control over

Korea and a leasehold in southern Manchuria, and its cotton spinners new captive markets on the continent.¹⁰² The Itō Store jumped on the bandwagon, setting up an export division to handle an accelerating flow of Japanese cotton goods. Foreign offices were opened in Seoul and Shanghai to trade directly with local cotton yarn and cloth merchants, dislodging Chinese and Korean middlemen. In response to a worldwide recession the following year, the Itō Store moved to unify its stem and branch family businesses under a clan organization, the Itō Chūbē Headquarters—an act of consolidation modeled on the Mitsui zaibatsu. The managers also decided to make foreign trade, along with the ancestral business of textile wholesaling, the twin pillars of the Itō family enterprise. Further corporate restructuring followed in subsequent years to accommodate a steady upswing in business that extended to the Philippines, where a Manila branch was created to export Japanese cotton goods and import abaca (Manila hemp).¹⁰³

By the time Chūbē II fully assumed the helm after returning from England, foreign trade had been firmly spliced onto his family business. And the Itō Store soon came into its own as a dominant player in Japan’s cotton imperialism.¹⁰⁴ In the years leading up to the annexation of Korea, Itō had already forged a close relationship with Kongiksa (J. Kyōekisha), a trade association of Korean cotton merchants organized by a Japanese businessman and political fixer, Nishihara Kamezō (1873–1954).¹⁰⁵ When it was reorganized in 1909 as a Japanese-Korean joint stock company under Pak Sŭng-jik (1864–1950), the Itō Store provided fully half of its capital. Its multiethnic board embraced several Itō employees, with Takai Hyōzaburō—son of a prominent Hino merchant and a Hasshō graduate—assuming a managerial role through 1945.¹⁰⁶ Taking advantage of low freight rates, Kongiksa played a key role facilitating the penetration of Japanese cloth via Korea into the Manchurian market; for this purpose, an export cartel was formed in 1914 by Japan’s leading cotton trading companies under its leadership. More broadly, Kongiksa assisted the “yen diplomacy” of the Terauchi cabinet (1916–18): to bring China and Manchuria into its financial orbit by means of political lending, much of it negotiated by Nishihara himself. In his scheme to extend a yen-based gold-exchange standard beyond the Korean peninsula,¹⁰⁷ the Itō Store “alone handled the export of Japanese cotton cloth via Kongiksa,” whose branches in Manchuria doubled as exchange offices for the Bank of Korea’s gold notes, a primary instrument of “economic advance” into the Chinese interior.¹⁰⁸

The First World War also marked a watershed in the global spread of Japanese textiles. Disrupted flows of cloth goods from Europe created a golden opportunity for Japan to penetrate the export markets across Asia—from the Yangtze River delta to the Indian subcontinent—and expand its trade further to the Americas, the Middle East, and Africa.¹⁰⁹ Not ones to waste time in seizing the moment, Itō managers restructured their stores into an unlimited partnership (Itōchū Gōmei Kaisha; C. Itoh & Co.) to vigorously advance into the global marketplace.¹¹⁰ The wartime demand for textile goods continued to outpace supply, with a momentum

that transformed its trading division almost overnight. When it "had grown to twice the size of its parent company,"¹¹¹ in late 1918 a new joint-stock company, Itōchū Shōji (hereafter Itōchū), was created to handle its import-export business, and another to focus on kimono fabrics of Kansai. Beyond textiles, an array of new merchandise—fertilizers, grain, machinery, iron, steel, and automobiles—began coursing through its marketing network, which stretched from the treaty ports of China (Shanghai, Hankow, Tianjin, and Qingdao) to Manila and Calcutta, and as far as London and New York.¹¹² The Itō family was now set on the path to a general trading firm.

Restructuring a family business on a joint-stock basis, as many textile firms did during the wartime boom, may have signaled a transition to managerial capitalism in a maturing industry. But rather than a "one-way track from family firm to dispersed ownership"¹¹³—associated with the Mitsui zaibatsu, which pared down its merchant origins while consolidating its enterprises in heavy industry¹¹⁴—a more apt metaphor for the evolution of Ōmi merchant stores is grafting. In the case of the Itō Store, corporate restructuring did not diminish family control. In fact, concrete steps were taken to ensure family ownership, similar to those implemented by the founders of zaibatsu in the Meiji era but superseded by managerial innovations over time.¹¹⁵ In addition to creating the Itō Clan Association, for instance, the "Family Constitution" (1915) was set down to stipulate the joint ownership of Itō enterprises among the six families. To protect their assets within the clan, C. Itoh & Co. was revamped to serve both as a holding company and as "the general headquarters" for two joint-stock companies as well as overseas affiliates like Kongiksa. All employees took an oath of allegiance to the Itō clan to honor "master-servant relations" and never engage in business outside the family enterprise.¹¹⁶

At the same time, Chūbē II hastened to reassure his long-time employees, as well as clients and suppliers, that the way of the Ōmi merchant would remain sacrosanct: "nothing would substantially change" about the parent company as a family-centered "cooperative" or its core values bequeathed by the founder.¹¹⁷ The Itō family adopted modern corporate forms, not to supplant its traditional values and practices but to serve as a *vessel* for them—a strategy likewise deployed by diasporic Chinese entrepreneurs in Southeast Asia—to operate more efficiently in the global capitalist economy.¹¹⁸ Hence, Itō family members themselves continued to direct their expanded companies—in contrast to the founders of zaibatsu, who from the start hired and appointed talented college graduates to manage the family enterprises on behalf of their owners.¹¹⁹ In the midst of global expansion, Chūbē II also displayed strenuous regionalism. He preached the merits of apprenticeship as the key to competing with Western nations, when C. Itoh & Co. had some two hundred young men in its charge. He personally interviewed job candidates, showing an avowed preference for Shiga-born natives "endowed with the Gōshū merchant's ethos and ability to persevere."¹²⁰ Even as the company began hiring

school graduates in and out of Shiga, talent never completely replaced descent as a criterion for filling executive and managerial posts.¹²¹ Nonetheless, those who met both criteria were actively recruited and promoted. They included several alumni of Tōa Dōbun Shoin (chapter 4), who oversaw major foreign offices and bureaus of Itōchū.¹²² In addition to language skills, these "China hands" came equipped with specialized product knowledge and access to the latest information on overseas affairs, which lowered the costs of entering an uncertain market.¹²³ A growing cadre of such professional employees, who spent long careers abroad, formed an important managerial layer being grafted onto the Itō family ownership.

Just as the Itō family enterprise began leveraging its expertise to operate competitively in the global marketplace, however, the onset of a recession in 1920 threatened to wipe out its wartime profits. The stock market crash in March inflicted a critical blow to the company and other budding trading firms, which, unlike large zaibatsu, had no banking subsidiaries of their own. As demand cratered, sending the cotton market into a tailspin, the Itō family found itself saddled with cancelled contracts, returned merchandise, and debts. For most of the 1920s, which witnessed violent swings in global demand, its business remained "erratic" or "dismal."¹²⁴ Its textile wholesale business suffered a staggering net loss of 30 million yen and its foreign trade a net loss of 5 million yen, forcing Itō to suspend the payment of dividends for several years.

Faced with an unprecedented crisis, Chūbē II and managers moved quickly to avert bankruptcy. Fortunately, their business had by this time grown too big to fail in the eyes of the government, the Bank of Japan, and other lenders, who proved willing to work out a "bailout" plan. Itō executives undertook major corporate restructuring, with layoffs across the board. Following the dissolution of C. Itoh & Co. as a parent company, its textile wholesale business was merged with a cognate store (founded by Chūbē I's elder brother) to become Marubeni (1921). Its trading company, Itōchū, was left in the proprietorship of Chūbē II, but significantly downsized to focus on the old business of exporting cotton yarn and cloth to China. Its overseas division was hived off to create Daidō Trading (1920); it was placed under two Shiga-born managers (former classmates at Tōa Dōbun Shoin) to concentrate on southern Pacific trade through the existing branch in Manila.¹²⁵

This division of labor may have signaled a move away from the founder's vision of creating an integrated trading firm. Yet family or personal relations stayed actively involved in the management of all three companies, rather than retreating into honorary positions like the founders of Mitsui.¹²⁶ While recruiting talented men of non-Shiga origin into managerial ranks, the Itō enterprise overall hewed to the practices of family capitalism to minimize risk in times of upheaval.¹²⁷ The postwar crisis drew the Itō family members and loyal Shiga-born employees closer to one another; the gradual recovery of textile business in the overseas market would further illustrate the resilience of family firms.

ITŌCHŪ'S ENTRY INTO COTTON IMPERIALISM
IN CHINA

During the prolonged recession of the 1920s, Chūbē II led the divided Itō family enterprise by adopting a "strategy to pursue commerce and manufacturing in parallel." For a traditional Ōmi merchant household, this policy signified a bold rescaling from commercial to industrial capital. For Japan's industrialists at large, the interwar decade signaled a new stage in cotton imperialism, when the territorial ambitions of the army merged with the forces of capital to push the frontier of empire deeper into the Chinese interior.

In the throes of an unfolding crisis, Itōchū unexpectedly entered into textile manufacturing, where it found a silver lining. Chūbē II was tasked with rebuilding a textile firm in Toyama Prefecture that had become insolvent and unable to pay for the spinning machines it had ordered from England through Itōchū. To deliver it from collapse, he created Toyama Spinning in 1921 and successfully steered the company out of the red, returning the mill to profit five years later. The technical knowledge of spinning that Chūbē II had acquired in England stood him in good stead, he later recounted.¹²⁸

His foray into spinning turned out to be equally fortuitous in paving the way for Itōchū's own recovery, which hinged on expanding its business in China. Shortly before the war's end, Itōchū partook in the joint purchase of a failing American-owned spinning firm in Shanghai.¹²⁹ As the first Japanese investment of its kind, this venture stimulated a rush of direct investment in Chinese spinning and weaving mills, giving rise to a complex of *zaikabō*. The participation of Ōmi merchant capital was significant. Between 1918 and 1922, most of Japan's major textile companies, including Naigai Wata and the "Big Three," expanded their cotton production to Shanghai or Qingdao, using internal reserves accumulated during the wartime boom. The 1919 revision of China's import tariff schedule, combined with rising production and labor costs in Japan, also spurred cotton industrialists to fully exploit the treaty privilege granted to Japan in 1895. Manufacturing in the treaty ports, free from the effects of tariffs, they could cater directly to the Chinese market and operate mills at lower costs—ensured by access to raw cotton and "a vast reservoir of inexpensive labor, unprotected even by the mildest sort of social legislation."¹³⁰

The Itō family entered the fray but from a different node. In 1926, Chūbē II established the Dafu Company in Tianjin, specifically to manage the struggling Chinese-owned Yu Da Mill, entrusted to him by the quasi-state Oriental Development Company (hereafter ODC).¹³¹ As the first *zaikabō* to set up shop in North China, the Dafu Company pioneered and led the northern expansion of Japanese cotton capital on the Chinese mainland.¹³² Launched in the midst of heightened political unrest, however, it had a rocky start. The ODC had taken over the management of the Yu Da Mill just two years prior, only to encounter a major strike

in the summer of 1925. Recently unionized and led by young Chinese Communist Party members, the Yu Da workers were among the thousands who struck at Japanese-run mills that year, as anti-imperialist demonstrations swept China's urban centers following the May Thirtieth Incident (triggered by the police shooting of a Chinese worker at Naigai Wata's mill in Shanghai).¹³³ The ensuing tide of labor protests that jolted zaikabō in 1925–1927 also laid bare some frailties in the Japanese approach to managing mills, as detailed in a consular dispatch to the Foreign Ministry. Wedded to metropolitan customs, Consul Arita noted, Japanese managers "ignore the Chinese character, customs, and tradition," seeking to "mold [the workers] in their own image." On-site supervisors engendered no less antipathy and misunderstanding, since they could not communicate in Chinese. "By contrast, foreign-run factories appoint trustworthy Chinese as foremen," observed the consul, rating this system "far superior" to that of Japanese zaikabō designed to extend direct managerial control over mill labor.¹³⁴

Building on reforms made by the ODC,¹³⁵ Chübē II set out to ameliorate management-labor relations at the Yu Da Mill, after spending a month putting the damaged factory in order. One of the first steps he took was to appoint Japanese and Chinese staff to oversee some fifteen hundred millhands.¹³⁶ Chübē II made sure to place a manager "who is quite trusted by the Chinese," for the absence of such personnel had cost the ODC dearly. For this post, he chose Uematsu Shinkei, a "China specialist" trained at Tōa Dōbun Shoin, who had previously superintended several Chinese branches of Itōchū.¹³⁷ In injecting his expertise into management, Chübē II appears to have taken to heart the consul's emphasis on "studying the Chinese character and sentiments thoroughly in order to spiritually bind them to our side." Though whatever "expertise" Uematsu brought to the company likely drew on racialized stereotypes to make the Chinese amenable to control and discipline, as designed by Japanese-run business schools and trainee programs attached to zaikabō (chapter 4).¹³⁸

Chübē II himself was heavily involved in the management of Yu Da Mill. He made a business trip to Tianjin at least once a year between 1926 and 1930 to rationalize and invest in its plant and machinery.¹³⁹ Within half a year of operation, the mill had tripled its production of yarn, until it was "running 35,712 spindles day and night." The Dafu Company actively developed new markets across China, later adding "Toyota-style spindles" to ramp up production, as a strategy to combat the effects of world depression.¹⁴⁰ Throughout these early years, however, the mill's operation suffered disruptions wrought by civil war (especially Chiang Kai-shek's "northern expedition" of 1926–1928). The Dafu Company also endured periodic "exactions of levies" by competing warlords who occupied Tianjin in the years leading up to the Guomindang unification of 1928.¹⁴¹ Although the company still reported growth in net profit—thanks in part to a platoon of the Japanese garrison stationed for security in the region¹⁴²—the Yu Da Mill was subjected again to outbursts of hostility following the Kwantung Army's invasion

of Manchuria in 1931. When a riot broke out in Tianjin that November, the imposition of martial law, combined with "agitation by bad workers," forced the mill to shut down for the next five months.¹⁴³ Late in 1932, the Japanese campaign to capture the province of Rehe caused breaks in production and a surge of Chinese boycotts. Compounded by a ban that some provincial authorities imposed on trading in Japanese currency, the Dafu Company reported "almost no sales" for the first half of 1933.¹⁴⁴

After the battle in northern China ceased in May, however, the market recovered gradually, and the prices of raw cotton fell due to a bumper crop. Capitalizing on these trends, the Dafu Company launched an all-out effort to "sell to clear old inventory," while enlarging the mill's operation. By this time, too, "years of reform and discipline have taken hold," reported the managers, who had since 1932 "strictly banned labor unions and selectively employed good-natured workers" to quiet dissent and increase labor efficiency.¹⁴⁵ Higher labor productivity was one of many advantages *zaikabō* enjoyed over Chinese- and foreign-owned mills, sustaining their "internal competitiveness" through the years of uncertainty. The Dafu Company, for its part, enjoyed further "advantages of scale" via the stewardship of Itōchū; its ample capital supplies as well as vast marketing and information networks enabled Dafu to procure raw materials at lower costs, swiftly incorporate new technology, and flexibly adjust its mill operation to changing market conditions.¹⁴⁶

The company's buoyant growth from the mid-1930s was tied to the Japanese military drive in North China. Trailing its path, Japanese textile companies, hitherto clustered in Shanghai, streamed into Tianjin to buy up struggling Chinese mills or build new ones.¹⁴⁷ From the perspective of "bettering Japan-China relations," the Foreign Ministry also considered it "an extremely opportune moment" for Japanese capitalists to "rescue" local mills, apparently as requested by Cao Rulin and other Chinese leaders, by "following the example of the Dafu Company."¹⁴⁸ Amid a wave of Japanese takeovers of Tianjin's mill ownership, in 1936 Chūbē II cooperated with the ODC again to buy up an adjacent mill, Bao Cheng. Tianjin Textiles was established to operate the mill, along with Yu Da, under the directorship of Uematsu.¹⁴⁹ In Japanese-occupied Shanghai, on the other hand, his company deployed more strong-arm tactics. According to a British consular dispatch in 1938, Itōchū and another Japanese firm tried repeatedly to "coerce" the Chinese owners of the Pioneer Knitting Mill into joint management; a letter sent to the mill by Itōchū's director, Kunugi Toraji, demonstrated "a veiled threat" behind "the general tone . . . of sweet reasonableness and cooperation for mutual benefit."¹⁵⁰ By the end of 1936, more than half the Chinese-owned mills in Tianjin had changed hands, spawning a virtual replica of the *zaikabō* nexus in Shanghai, where "raw cotton was traded in Japanese currency." When the Japanese occupation of Tianjin commenced in the summer of 1937, the local textile industry was

all but monopolized by Japanese spinners and trading firms, priming Tianjin as a northern outpost of their cotton empire.¹⁵¹

Driven by a combination of metropolitan capital, foreign technology, and native labor, *zaikabō* and their “uniquely Japanese” trading agents like Itōchū¹⁵² functioned in many ways akin to cotton empires of the West. No less enmeshed in the dynamics of racial capitalism, Japanese mill managers operated a labor regime of distinctly colonial character: one that exploited the low costs of Chinese workers and lax laws to run mills longer than in Japan (almost on a twenty-four-hour production schedule).¹⁵³ Central to mill operation was the use of women—a practice transferred from the metropole, both to keep production costs down and to create a disciplined and docile labor force. Compared to Shanghai, mills in Tianjin initially employed far fewer women—no more than 10 percent of the workforce in 1929—but the influx of Japanese capital significantly altered the gender demographics. At the Yu Da Mill, between 1929 and 1938 the number of female workers more than quadrupled, from 123 to 530. The Bao Cheng Mill in 1938, shortly after Chūbē II took over, employed as many as 650 women who accounted for 35 percent of the workforce. The percentage of women in Tianjin’s cotton mills would reach nearly 40 percent; however, as elsewhere in China, they were paid less than men.¹⁵⁴

Another cost-cutting strategy was the use of child labor. Desired as another source of compliant labor, children represented roughly one-third to two-thirds of workers in Japanese-occupied Tianjin, many tapped from the increased pool of war refugees.¹⁵⁵ Business records of the Dafu Company do not state explicitly, but the “apprentices” (*yōseikō*) who lived in the factory’s dormitory under close watch of wardens and foremen were most likely children. The practice of employing very young boys for no wages was as prevalent in Tianjin as it was familiar to Ōmi merchant houses like Itō. But this custom did not sit well with the optics of global capital exploiting child labor in the treaty ports (which appear to have raised unease, if not scruples, among foreign millowners). Alert to the prospect of international opprobrium, some Japanese-run mills tried to make this “apprentice” system more palatable by offering “elementary education” to children on the premises, as did a mill owned by Abe Fusajirō in Shanghai.¹⁵⁶

In the meantime, Itōchū widened its own dominance by building a close working relationship with Japanese-owned mills, offering them preferential loans on raw cotton purchases. By the mid-1930s, Itōchū powered the cotton empire as “the largest Japanese distributor of cotton textiles and the largest Japanese purchaser of raw cotton in China.” Naigai Wata, which topped the phalanx of *zaikabō* in spinning capacity, acquired its raw materials almost entirely through Itōchū.¹⁵⁷ In addition to investing directly in production through Dafu and Tianjin Textiles (which soon scaled up its mill operation by integrating spinning yarn with weaving cloth), the Itō family effectively consolidated its grip on China’s cotton industry at both ends of the supply chain.

INTERWAR DECADES: BORDERLESS EXPANSION
AND DIVERSIFICATION

During the interwar decades of the 1920s and early 1930s, Itō’s textile empire also became entrenched in colonial Korea, while expanding its trading activity across Southeast Asia. And as the world emerged from depression, Itōchū once again dived into the global marketplace, extending its networks beyond the western Pacific. Indeed, the three vectors of expansion—continental, maritime, and transpacific—that had framed the Meiji-era discourse on oceanic Japan (chapter 3) also fueled the increasingly global and borderless operations of the Itō family enterprise.

On the continent, the key projects of Japan’s cotton imperialism—textile manufacturing and marketing—found new policy significance in colonial Korea under Governor-General Ugaki Kazushige, who energetically promoted industrialization of the peninsula in the early 1930s. At his encouragement, Korean mills operated by Tōyō Spinning and other textile giants began enlarging their manufacturing of cotton cloth for the China market. The same “low-wage production complex” that drove *zaikabō* in China soon grew around these mills to operate beyond the reach of metropolitan factory laws.¹⁵⁸ Itōchū, too, ventured into weaving in 1932, launching Chōsen Textiles to manage a mill in Kyōnggi Province. Headed by Takai Hyōzaburō, with Pak Sŭng-jik as auditor (the two men who managed Kongiksa), the company specialized in rayon textiles. The production of artificial fiber, an industrial milestone, was not coincidentally pioneered by Ōmi merchant capitalists, who built a cluster of factories to turn the southern end of Lake Biwa into a “rayon kingdom.”¹⁵⁹ Equipped with 1,500 looms, Chōsen Textiles’ mill was “the largest of its kind in Korea,” and its products, marketed by the Seoul branch of Itōchū, reached consumers in China and Manchuria as well as Nan’yō and India.¹⁶⁰

Through Pak Sŭng-jik, Itōchū also cultivated close business ties with the Kyōngsŏng Spinning and Weaving Company (Kyōngbang). As the largest manufacturing concern owned by a Korean family, Kyōngbang epitomized the native bourgeois partnership with the colonial state and Japanese textile capital. Reprising its role for *zaikabō* in China, Itōchū served Kyōngbang in dual capacity as a low-cost supplier of raw materials and machinery and a sales agent for its cloth. In the spirit of inter-ethnic cooperation, Itōchū and its subsidiary, Kureha Spinning (created in 1929),¹⁶¹ also provided Kyōngbang with technical expertise, sending Japanese engineers upon request and offering its new hires “on-the-job training” at a factory. Through equity investment, moreover, Itōchū helped Kyōngbang build an integrated weaving-spinning mill in southern Manchuria. “The first example of large-scale Korean industrial capitalist expansion outside Korea itself,” it signified “surrogate imperialism” by Korean elites in the Japanese-run state of Manchukuo. To market its product, Kyōngbang also routinely used other Japanese firms of Ōmi lineage (including Gōshō, Tōyō Menka, Takase Store, and Mataichi).

These business relations illustrated the extent to which Ōmi merchant capital had penetrated the colonial economy, consolidating cross-border linkages between Korea and Manchuria, while drawing powerful local allies into Japan’s continental project.¹⁶²

Parallel to its northern drive in continental Asia, the Itō family spearheaded the southern Pacific expansion of Japanese cotton exports from Kansai, the pivot of intra-Asian trade that eclipsed the port of Yokohama.¹⁶³ Since opening a Manila branch in 1910, boasted one guidebook, the Itō Store’s trading activity had a bracing effect of rebuilding transpacific ties between Japan and the South Seas that had existed “three hundred years earlier.”¹⁶⁴ From the mid-1910s, as Japan’s trade with the Philippines grew, the Itō enterprise began actively exploiting economies of scope, diversifying into the production of commodities it traded. For example, Chūbē II invested in the production of abaca and lumber by supporting a colonial venture of his cousin, Furukawa Yoshizō (1888–1985), in Davao.¹⁶⁵ Launched in 1915 with the capital and resources provided by Itōchū and its Manila branch, Furukawa Plantation quickly established a dominant position in Davao’s abaca industry, controlling nearly half the hemp business by the end of World War I. From 1920 on, Furukawa Plantation closely coordinated its activity with Itō’s new company, Daidō Trading. Furukawa supplied the product, information on local plantations in Davao, and introductions to Filipino elites, while Daidō Trading channeled funds as needed for cultivation and marketing. This mutually beneficial arrangement led to their collaboration in the production of ramie in the 1930s and a merger of their accounts on the export of Davao hemp in 1940.¹⁶⁶ Just as Dafu and Tianjin Textiles served as the northern outpost of Itō’s family empire, Furukawa Plantation functioned as its southern arm, with hemp symbolically tying the old manufacturing center of Ōmi to the thriving enclave of Japanese planters in Davao. As a trailblazer who helped build this immigrant colony (the largest in Southeast Asia by 1940),¹⁶⁷ Furukawa would have done Sugiura Shigetake proud, fulfilling his vision of (re-)creating a Japanese diaspora in the Philippines through a combination of labor, trade, and emigration (chapter 3).

Itō’s companies also expanded business to the Dutch East Indies, mainly selling Japanese cotton cloth to Chinese wholesalers, as they did in Manila. On Java and other islands, Daidō Trading adopted a hands-on strategy, reminiscent of *mochikudari* (chapter 1), of selling goods it imported directly to consumers, while branch employees carefully studied local markets and tastes. The success with these “cash sales embedded in localities” bred a further strategy of “peddling by truck” from village to village across the Philippine islands in a feedback loop.¹⁶⁸ Moving beyond trading and investment in abaca, Itōchū by 1935 was engaged in the production of rubber in Borneo and palm oil in Sumatra, deploying a veritable army of workers made up of “six thousand natives and one hundred Japanese.”¹⁶⁹

Having come out of the recession with a new capacity to earn profit, Itōchū also launched a renewed bid for global expansion. The advantages of a trading

firm that developed vertical integration with manufacturing were leveraged fully in the context of low (dollar-yen) exchange rates after 1932—the “golden age” when Japan unseated England as the world’s biggest exporter of cotton cloth.¹⁷⁰ At home, Itōchū scaled up its ancestral trade by consolidating its hold over “a nation of weavers”—small and mid-size family concerns mostly of Tokugawa provenance—through special contracts to serve as a sole agent both for supplying raw cotton and selling and exporting their piece goods. Abroad, Itōchū redoubled its effort to cultivate markets in the western Pacific and beyond. In addition to reopening offices in Seoul, Calcutta, and New York, Itōchū set up shop in Bombay and P’yŏngyang, and expanded aggressively into the Manchurian market on the coat-tails of the Kwantung Army’s takeover.¹⁷¹ While Japan began pursuing its autonomous course of imperialism, its cotton traders pursued their own capitalist logic of “borderless expansion” to search for new commercial frontiers beyond areas of Japan’s sovereign influence.¹⁷² As the world economy was divided into trade blocs, Itōchū joined other firms in capturing markets outside the dollar and sterling zones for cotton goods that replaced raw silk as Japan’s principal export. Its trans-pacific trade increased rapidly through new offices in the Dutch East Indies, South America (Argentina, Mexico, Chile, Brazil, and Peru), and Australia; by 1941, its marketing network had reached as far as Mombasa and Baghdad.¹⁷³ Opening branches went in tandem with diversifying product lines through routes of direct and transit trade: staple fiber, rayon, pulp, and wool, as well as medicine, automobiles, machinery, leather, grain, and metals by 1940.¹⁷⁴ These non-cotton products, handled by new departments created within Itōchū, were layered onto the core family business in textiles. The trade flowed in all directions and across borders through its multinodal but monocentric mesh of branches emanating from the “home headquarters” in Ōmi. This was a structure of diasporic commerce inherited from the Tokugawa predecessors (chapter 1), but it also increasingly approximated the multi-subsidiary system of leading zaibatsu.¹⁷⁵

If Itōchū’s quest for new markets around the globe helped fuel Japan’s cotton empire, its corporate influence, too, commanded an impressive reach of its own. Since the late 1920s, Chūbē II had led the community of Osaka cotton traders in petitioning the government for resolution on such pressing issues as the Chinese tariffs and boycotts of Japanese goods.¹⁷⁶ The company’s rising stature also gave his loyal lieutenant, Itō Takenosuke (1883–1947), an elevated platform from which to shape public opinion through national press and business forums, where he sat alongside big zaibatsu bosses.¹⁷⁷ In the 1930s, when Itōchū and Marubeni joined three other textile firms to form the “Big-Five of Kansai,”¹⁷⁸ these provincial merchants began operating in greater capacity as the empire’s industrial leaders, rubbing elbows with high-ranking bureaucrats. In 1932, the year Manchukuo came into being, Chūbē II was appointed by the Colonial Ministry as one of the civilian commissioners tasked with strengthening the new state’s “economic communications with Japan.”¹⁷⁹ Two years later, Takenosuke and a fellow Ōmi merchant, Abe

Fusajirō, greeted the British Industrial Mission to Manchukuo as representatives of Japan’s cotton industry; in a gesture befitting free-trade imperialists, they welcomed “foreign capital into land to develop its industrial activity for benefit of Far East and Entire World,” as newspaper headlines trumpeted.¹⁸⁰

Chübē II and Takenosuke also participated in Japan’s trade negotiations with British India, where the two cotton empires collided over the issue of import tariffs. When the Indian government decided to treble the import duty on Japanese textiles in 1933, Japanese manufacturers responded by declaring their plan to boycott raw cotton from India. Chübē II joined the official delegation to India, where the two countries held trade talks for one hundred days, before they eventually reached an agreement on a more open exchange of Indian cotton for Japanese piece goods.¹⁸¹ This first “official” duty abroad for Chübē II was not to be the last.¹⁸² Takenosuke also took part in subsequent civilian-level trade negotiations with India.¹⁸³ Setting his sights on South America as an overlooked market, moreover, Takenosuke toured the vast continent as one of the “cotton ambassadors” accompanying Japan’s 1935 economic mission to Brazil. This paved the way for Itōchū’s increased investment in transpacific trade, linking Manchuria to South America as Japanese migrants had already begun to do from the mid-1920s.¹⁸⁴

WARTIME EXPANSION OF THE “ITŌCHŪ ZAIBATSU”

By the mid-1930s, the Itō enterprise had completed its process of rescaling from commercial to industrial capital. “Few in Japan’s business history have achieved a reversal of fortune as spectacular as that of Mr. Itō Chübē,” one study of zaibatsu reported effusively. This rescaling did not entail a dethronement of family capitalism by salaried managers, as seen in the case of giant zaibatsu. Mitsui and other industrial combines began issuing public shares of key subsidiaries from the late 1920s, but Itō’s core enterprises remained, in essence, privately held and unlisted until the eve of Pearl Harbor. Nor did the Itō family ever lose its focus on cotton goods. To the contrary, the success of the “Itōchū zaibatsu” rested firmly on its traditional merchandise, explained another observer. Chübē II “has not only engineered his comeback by means of ancestral commerce, but has gained a fresh foothold in manufacturing,” building a “textile kingdom comparable to Tōyōbō and Kanebō.”¹⁸⁵ Having shored up the Itō family through times of crisis, critics approvingly noted, “Ōmi merchant tradition” was now being melded with industrial capitalism to serve as the springboard for global enterprise. This radical synthesis of new and old worked to revitalize Itō’s business as well as the popular discourse on Ōmi shōnin, as attested by the euphoric media coverage, hailing the birth of industrial merchants like Chübē II as a new legend in the making.

It was not long, however, before the Gōshū zaibatsu found themselves in another period of turmoil. The outbreak of war with China in 1937 brought Japan’s textile industry under state control never before endured. To deal with an impending

TABLE 3 The Itō family enterprise: Principal firms and overseas subsidiaries (ca. mid-1930s)

	Company (year of creation)	Location (HQ)	President	Managing director(s)
Principal firms	Itōchū Shōji 伊藤忠商事 (1918; 1920)	Osaka	Itō Chūbē II	Itō Takenosuke
	Marubeni Shōten 丸紅商店 (1921)	Osaka	Itō Chōbē	Furukawa Tetsujirō
	Daidō Trading 大同貿易 (1920)	Kōbe	Itō Kōtarō (chairman)	Nakamura Shintarō, Tanaka Kakei
	Kureha Spinning 呉羽紡績 (1929)	Osaka	Itō Chūbē II	Inoue Tomizō
Overseas subsidiaries	Furukawa Plantation 古川拓殖 (1915)	Davao, Philippines	Furukawa Yoshizō	
	Dafu Company 大福公司 (1926)	Tianjin, China	Itō Chūbē II	Uematsu Shinkei
	Tianjin Textiles 天津紡績 (1936)	Tianjin, China	Itō Chūbē II	Uematsu Shinkei
	Kongiksa Co. 共益社 (1909)	Seoul, Korea	Pak Sūng-jik	Takai Hyōzaburō
	Chōsen Textiles 朝鮮織物 (1932)	Sihŭng, Korea	Takai Hyōzaburō	

SOURCE: Chūgai Sangyō Chōsakai 1938, 428–83; Higuchi 1940, 250–55.

NOTE: In Japan, Itōchū also owned several direct subsidiaries (in textiles) and a dozen affiliates across the diverse sectors of textiles, pulp, chemicals, steel, and mining by 1940. Kureha Spinning embraced its own subsidiaries in textiles.

shortage of supply, the government enforced limits on the use of raw cotton, requiring "mixed yarn spinning with rayon staple fiber."¹⁸⁶ To channel the country's scarce foreign currency into munitions and heavy industries, wartime authorities also restricted overseas trade in textiles, curtailing the operation of spinning companies following Pearl Harbor.¹⁸⁷ War impinged on trading firms like Itōchū in more complicated ways. On the one hand, the introduction of an "import-export linkage system" placed spinning companies directly in charge of importing raw cotton and exporting finished goods themselves. This significantly undercut the role of trading firms, which were steadily dissolved into state-controlled networks of distribution and later rationing.¹⁸⁸ On the other hand, big traders had the resources to adapt to the exigencies of a command economy. Itōchū responded quickly by embracing a new roster of affiliated companies to handle an expanded volume of strategic materials—from lumber and steel to chemicals and machinery—and signing agency contracts with manufacturers in war-related industries. By investing in these industries with significant shares of military demand but no organic connection to its textile business, Itōchū proactively pursued diversification—that is, grafting industrial capital onto its commercial substratum to ensure its survival and growth.¹⁸⁹ War fueled industrial capitalism, and industries fueled war, turning cotton merchants into all but military subcontractors.¹⁹⁰

A year into the Sino-Japanese War, the prospect of export trade with China seemed ever upward. Acknowledging that the state had practically displaced textile wholesalers in Japan, Itō Takenosuke proclaimed in a house magazine Itōchū's policy to "devote ourselves to exports" by expanding retail and sales across China "to the extent possible."¹⁹¹ In Manchuria as well, Itōchū continued to serve as a designated sales agent for textile goods even after industrial control was extended. Its export performance showed steady earnings for the period of 1937–1941, with an average rate of return of over 50 percent each year.¹⁹² The cognate store Marubeni also embarked on a rescaling of its own. Having anchored itself to the ancestral business of selling kimono fabrics in Japan, Marubeni diversified its merchandise "with an ambition of a department store" into hardware, medicine, and foodstuff and sought overseas sales routes in "yen-bloc markets" through its new offices in China and Manchukuo.¹⁹³

As the state and private sectors blurred in the wartime economy, so did the boundaries the Itō family had traditionally drawn between business and politics. Itō executives began to speak not merely as cotton merchants but as industrial experts who could better guide policy makers. Shortly after the military occupation of Tianjin, Chūbē II contributed an opinion in a business magazine, stressing official-civilian collaboration in "developing North China" and proposing the creation of "a special polity" like Manchukuo. But such projects, in his view, could not be entrusted to zaibatsu interests or quasi-state corporations like Mantetsu and ODC. Instead, Chūbē II argued, "executives of textile firms" like himself—cotton

merchants who "know about textiles more than any bigshot in Mitsui, Mitsubishi or Sumitomo"—must be brought into the venture.¹⁹⁴

Fueling the machinery of Japan's wartime empire, Itōchū soon became part of its brain trust. Culled from a dwindling number of traders, Chūbē II and his men became a fixture on state-level forums on trade and industrial control, which extended to matters of governance. Appointed the president of Itōchū in January 1940, Takenosuke chaired one such committee that year, urging speedy construction of a trade diaspora in Nan'yō. Only by "transplanting commercial immigrants deep in local villages," he argued, could Japan "trade with the natives in peace" while "dislodging overseas Chinese" and "lay a permanent basis for the East Asian Co-Prosperity Sphere."¹⁹⁵ As the imperial army completed its conquest of Southeast Asia in early 1942, he developed this idea into an overt argument for colonial domination. Echoing Meiji-era proposals for wedding social imperialism to racial capitalism in southern advance (chapter 3), Takenosuke called for sending the "unemployed but talented" Japanese to seize control of the economies in Nan'yō: they would rule over the natives and the Chinese as their new masters, "exploiting both groups as menial labor."¹⁹⁶

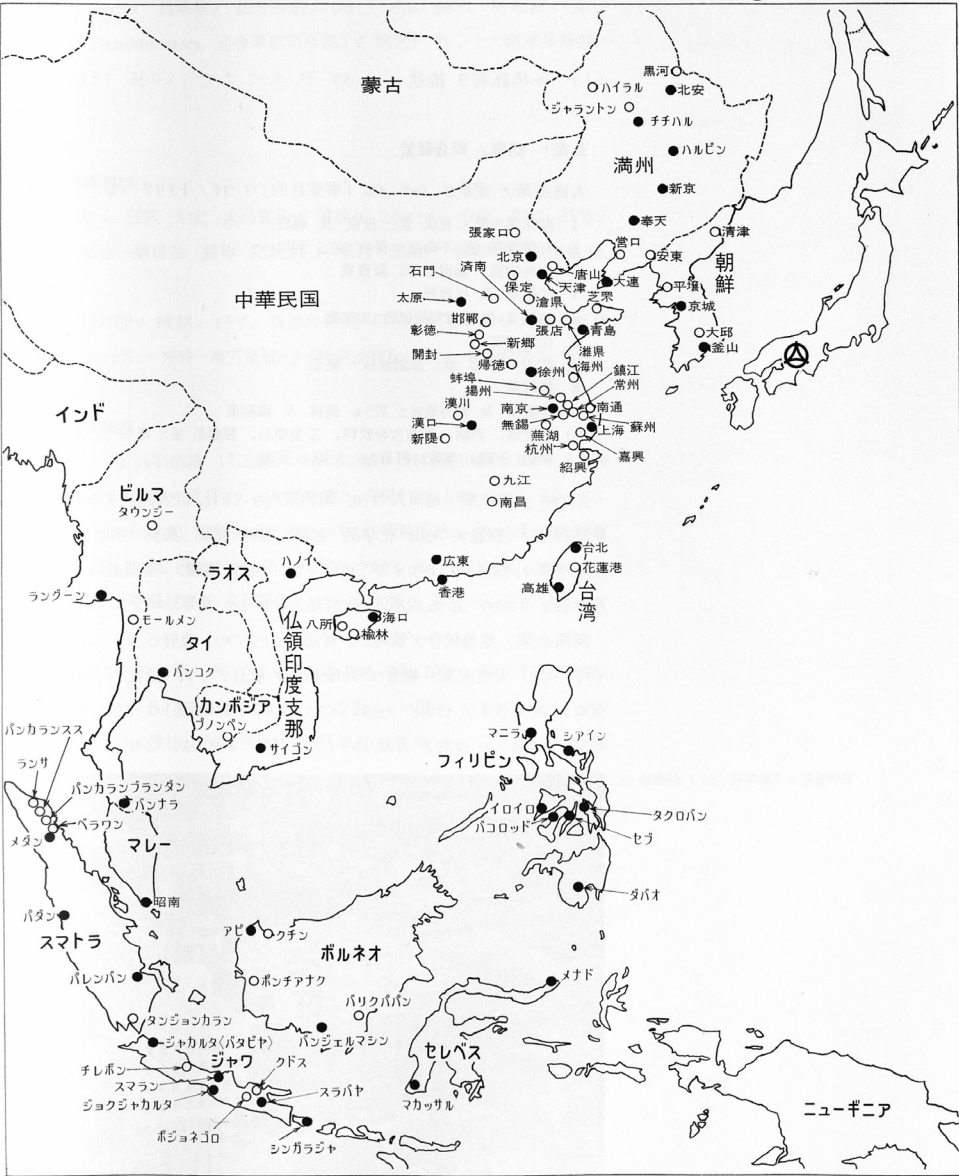
By 1940, the Itō family enterprise had become a hydra-headed conglomerate, composed of Itōchū, Marubeni, Daidō Trading, and Kureha Spinning, with its tentacles stretching through a web of affiliates and subsidiaries into heavy and chemical industries. Prompted by intensification of industrial control at home and trade embargoes abroad, Chūbē II and Takenosuke moved toward unifying the two principal family firms, Itōchū and Marubeni, and merging with a steel trading company (owned by a close friend of Chūbē II's) to expand their business in the munitions and strategic industries. These steps eventuated in the creation of Sankō Co. in September 1941. Breaking with the principles of family capitalism, Sankō aimed to "gradually make public offerings of shares of the three hitherto largely privately owned companies" and raise the capital needed for Japan's "goal of constructing an advanced national defense state." Embracing a total of 3,900 employees, Sankō did over one billion yen's worth of business per year, becoming a "first-class trading firm alongside Mitsui Bussan and Mitsubishi Shōji."¹⁹⁷

Three months later, when Japan launched a full-scale war in the Pacific against the United States and Britain, global commerce quickly unraveled. After 1941, the import of raw fibers all but ceased and domestic textile business vanished. With trade also suspended in offshore markets that became enemy territories, Itō managers were appointed to semiofficial organs in charge of controlling trade within Japan's newly expanded Pacific empire.¹⁹⁸ As they completed their transition from purveyors to partners of the state, Itō companies and their resources were harnessed ever more tightly to the production of war supplies. Working alongside other trading firms, they operated a variety of factories at military command to manufacture textiles and miscellaneous fibers, as well as automobiles, iron and steel, rubber, chemicals, and ships. In China and Manchuria, their overseas

branches supplied the troops with essential commodities (procured “without Chinese middlemen”), while distributing textiles and other “incentive goods” to local villagers for boosting their production.¹⁹⁹

A similar range of tasks that amounted to military contracting was performed in colonial Taiwan and Nan’yō. In occupied Southeast Asia, Daidō Trading, among all the firms, handled the largest volume of business for the navy through the vast marketing network it already possessed. Furukawa Plantation was mobilized to work with other members of the Itō family enterprise: it joined Kureha Spinning in the Philippines to produce hemp goods as well as wooden vessels and machine tools and aided Sankō in the cultivation of ramie in Borneo.²⁰⁰ Textile companies were further pressed into service on these islands, which became new production frontiers in Japan’s cotton empire.²⁰¹ In a renewed quest for “self-sufficiency in raw cotton in the Greater East Asia,” the Imperial Army in early 1942 unveiled an ambitious “Five-Year Plan” to double the production of ginned cotton in Nan’yō. Kureha Spinning was drafted along with other firms to grow cotton on the Philippine islands of Luzon, Negros, and Mindanao.²⁰² An army official told the company representatives to “stand ready to fight a long war,” “procuring raw cotton as needed for the empire” with the metropolitan stock in finite supply.²⁰³ A year later, Chūbē II was ordered to transfer twenty thousand spindles and one loom from Japan to the island of Java, where his Kureha Spinning began operating mills to supply part of regional demand, “sourcing as much fiber locally as possible.”²⁰⁴ By then, domestic production of textiles had virtually ceased in Japan, where factories, including those owned by Itō, were being scrapped and their spindles and looms delivered to the government to make weapons, ships, and aircraft.²⁰⁵

To increase the capital reserves for the whole gamut of projects commissioned by the army (which extended to manufacturing gunpower), Sankō merged with Kureha Spinning and Daidō Trading to form Daiken Manufacturing in late 1944. In its size and scope of operation, Daiken Manufacturing marked a milestone in the Itō family enterprise—and “a rare merger of commercial and industrial capital” in the wartime pattern of integration within, not across, industries. The new company embraced in its orbit over one hundred affiliates and subsidiaries that traversed the empire (map 6) in the combined sectors of trading and manufacturing: production and distribution of textiles, chemicals, oils, fuel, iron and steel, aircrafts, ships, machine tools, automobiles, rubber products, and lumber, as well as management of mines, forestry, and stockbreeding.²⁰⁶ Daiken put the Itō family business on track to become a zaibatsu conglomerate on the order of Mitsui and Mitsubishi. Yet, even as the ratio of textiles to non-textile products in its enterprise structure dipped—it was estimated to be 85:15 on the eve of the Pacific War—the business stayed focused on this ancestral core, setting the “Itō zaibatsu” apart from other industrial combines.²⁰⁷ Though captive to military demands, ownership control of the Itō textile enterprise, including its overseas affiliates, also remained firmly in the hands of family and its loyal employees;²⁰⁸ by contrast, the



MAP 6. Daiken Manufacturing and its overseas branches (1945). Source: Itôchû Shôji Kabushiki Kaisha Shashi Henshûshitsu 1969, 165. Courtesy of Itochu Corporation.

closed ownership structure of older and bigger zaibatsu continued to “crumble” in the course of wartime diversification into heavy industry.²⁰⁹ From the perspective of Chūbē II, Daiken Manufacturing in fact represented a family reunion: the culmination of his long-standing dream to reunify all the Itō businesses, separated since 1920–1921.

But almost as soon as it reached this zenith, the whole enterprise crashed. The transoceanic flow of commodities between Japan and Southeast Asia, already sabotaged by war, had nearly dried up by the time Daiken Manufacturing came into being. Its business in Manchuria also ground to a halt after the military draft of Japanese settlers commenced in April 1945, leaving too few employees to tend its branches. Meanwhile, the company headquarters in the metropole sustained serious damage from Allied bombs. The main store in Osaka was completely destroyed during the Great Osaka Air Raid of March 14; ten branch offices, three warehouses, three factories, and five company dormitories were all bombed or burned in the months leading to Japan’s surrender.²¹⁰ After 1945, Daiken Manufacturing would be summarily dismantled, along with other zaibatsu trusts, by the Allied Occupation, bringing Japan’s one-time cotton empire to an abrupt end.

. . .

Founded by the last generation of Ōmi shōnin, the Itōchū enterprise was at once singular and symbolic of the role of merchant capital in the textile industry. Itō’s trajectory from provincial peddler to multinational firm had few parallels in Japan’s economic history.²¹¹ A trailblazer for overseas trade, Chūbē I’s activities may be seen to have catalyzed the transition from the early modern means of cross-border exchange to a modern corporate form. Through the years of boom and bust that followed, his family business was continually upscaled by his successors to build a textile enterprise of transnational scope. A confluence of global and national developments, as well as realignments in the cotton market in the 1930s, further propelled the rise of Itōchū as an industrial conglomerate, a process accelerated by war.

At the same time, the global rise of Itōchū was but part of Ōmi’s long tradition of entrepreneurship. The circuits of capital flowing through Japan’s textile trade since the Tokugawa era converged on Ōmi and its well-heeled families. By the 1930s, the Itō family sat at the apex of this Gōshū zaibatsu—a battalion of merchant capitalists who, through their shared and overlapping ties to Ōmi, fueled Japan’s cotton industrialization and its integration into the world economy. Their initiatives underscored the remarkable durability of Ōmi merchants in the textile industry, much as they illustrated their capacity for change. As their trading and manufacturing activities followed as well as pushed the boundaries of Japan’s capitalist empire, the Gōshū zaibatsu became the driving force of expansion from the cotton metropolis in Kansai. The Itō enterprise spearheaded cotton imperialism in North China and to some extent in Southeast Asia, while its marketing network

tracked the path of Japanese textiles around the globe, spanning seas and continents on the eve of Pearl Harbor.

From the *longue-durée* perspective, the "Itōchū zaibatsu," as it was called by the 1930s, represented both the culmination of Ōmi merchant tradition and a radical departure from it. As seen elsewhere in this book, an overarching dynamic underpinning the Itō enterprise across the two generations of Chūbē was a rescaling of tradition: a gradual expansion in the scope and scale of ancestral trade from the domestic to the global marketplace, a stretching across the empire and beyond of family business that continually drew on values, customs, and social and kin relations rooted in Ōmi. The Itō family never strayed far from its focus on textiles, even as it actively pursued diversification and branch expansion—themselves part of the traditional arsenal of strategies to manage risk. Even at the peak of global expansion, the Itō enterprise retained much of the old structure of a family firm, with its methods of management, ownership, and employment embedded in a dense weave of kin and native-place ties. These networks of trust functioned in varying political and market environments from the Restoration era to total war as proven insurance against uncertainty.

To be sure, the Itō enterprise grew in fits and starts. As the early years of Chūbē II's headship made plain, each stage of business expansion involved an intricate process of negotiation and amalgamation with family tradition. Through periods of growth and crisis, he abided by what he prized as Ōmi customs and values, while adopting a "modern style of management to completely dispel the image of a [traditional] Senba merchant sporting a sash and an apron,"²¹² as one critic noted. Hence, within the company, master-servant relations persisted alongside meritocracy, apprentices alongside school graduates, textile wholesale alongside overseas trade. This dovetailing of early modern and modern forms of commerce—seemingly incommensurate practices, values, and ethos forged in different temporalities²¹³—explained the strength of Itōchū as a family concern and enabled its rise as a multinational firm.

The Itō enterprise after 1945 continued to reinvent itself in the face of adversity. At the end of the war, all its foreign branches were closed and overseas assets confiscated.²¹⁴ In December 1949, at the order of the Supreme Commander for the Allied Powers (SCAP), Daiken Manufacturing, along with other zaibatsu, was broken up, and Itōchū, Kureha Spinning, and Marubeni became independent corporations.²¹⁵ Compared to the giant conglomerates, however, Itōchū made a relatively fast recovery. The more swift and drastic dissolution of Mitsui and Mitsubishi and their trading companies (targeted by the SCAP for their close ties to the military) left the vanquished empire with Itōchū and several other firms of predominantly Ōmi lineage—Marubeni, Gōshō, Tōyō Menka and Nippon Menka—as "virtually the only ones experienced in foreign trade." Under this rather fortuitous circumstance, their business expanded quickly to fill the temporary void in handling textiles as well as metals, machinery, and foodstuff among other products.²¹⁶ These

companies reaped even greater profit when the Korean War erupted in 1950. Itōchū, with its global network of suppliers, capitalized on the ensuing procurement boom to provision the United Nations forces, while diversifying its product lines into petroleum, machinery, aircraft, and automobiles. Buoyed also by the policy of *zai-batsu* revival with the onset of the Cold War, Itōchū reconstituted its grid of overseas branches to expand, once again, into the rapidly growing world economy.²¹⁷

A century after Chūbē I had opened his first store in Osaka, his postwar successor continued to pay obeisance to the founder's legacy. From 1960 to 1974, when Itōchū would become a full-fledged *sōgō shōsha* in the league of Mitsui Bussan, the company was still presided over by a Shiga native and a Hasshō alum, Echigo Masakazu (1901–1991), backed by Chūbē II as advisor. Near the end of Echigo's tenure, however, Itōchū began to shed its characteristics as an Ōmi merchant firm. Its Tokyo branch became a co-headquarters along with the Osaka store, signaling a shift in business away from Kansai. The executive board was also filled with many non-Shiga people, without connections to the Itō family.²¹⁸ And as the company made inroads into manufacturing and information technology, the share of textiles in total sales declined to less than 20 percent by the end of the 1970s.²¹⁹

These changes notwithstanding, prewar areas of strength continued to shore up Itōchū's postwar growth as a multinational firm. In 1972, when Japan and China restored their diplomatic relations, Itōchū was granted permission, before any other trading company, to do business in the People's Republic, leveraging its prewar experience and knowledge of the vast market. As well, the company maintained a commanding position in the trading of textiles into the 1980s.²²⁰

In recent decades, Itōchū's global rise has prompted the company to embrace its provincial origins more strategically. In the early 1990s, no sooner had Itōchū been crowned the nation's largest trading firm than Japan's economic bubble burst, ushering in a multi-decade recession. Itōchū spent a decade recouping its losses through rigorous corporate restructuring, while diversifying its overseas portfolio.²²¹ In the process, the company's investment in timber trade and other extractive activities in Southeast Asia, masked by commodity chains forged via "odorless capital," came under public scrutiny and international criticism.²²² As *sōgō shōsha* increased their footprint on the trail of global capital expansion, Itōchū mounted a campaign to revamp its image as a modern incarnation of the Ōmi shōnin. In 2012, for instance, Itōchū pledged its full capital support for rehabilitating hemp plantations in the province of Sorsogon in the Philippines—an example of foreign direct investment pioneered by colonial trading firms in the nineteenth century and pursued by Furukawa Plantation in pre-1945 Davao. Launched at the centennial of Itōchū's Manila branch, this project was also couched in terms of "corporate social responsibility," a modern variant of the Ōmi principles of ethical commerce and service. Itōchū's investment promised not only sustainable production but also "local development," including a fight against poverty and "preservation of the environment."²²³

Today, global Itōchū appears as eager as ever to broadcast its provincial identity, appropriating the Ōmi merchant ethos of "three-way satisfaction" (*santō yoshi*) as its "corporate mission": In keeping with "the business philosophy of our founder, Chubei Itoh I," "each individual employee . . . will remain grounded in our merchant spirit, and . . . aim for better business operations that are good for the seller, good for the buyer, and good for society."²²⁴ This provincial pride is also drilled into new recruits of Itōchū (and Marubeni) during their mandatory visit to Itō Chūbē Memorial Hall in his birthplace of Toyosato.²²⁵ Adopting the iconic peddler as its corporate brand, Itōchū continues to present itself as a local cosmopolitan in the vanguard of splicing inheritance and innovation.