During the early 1960s Mitsui Bank continued to balance the foundations of its business and form firmer ties with companies without offering extensive long-term capital loans and a full securities service. Then the bank organized cross-shareholdings and scheduled regular meetings between the bank and the presidents of its major customers in the hope that this would increase its dealings between its major trading customers, particularly Mitsui and Company, and important customers in the heavy and chemical industries, and that such transactions would help it to maintain its high ratio of loans to wholesalers (mainly major trading companies) to total outstanding loans. These meetings and cross-shareholdings were also seen as a way to ensure that it would remain the main bank of these customers. The bank became more cautious about asking other financial institutions to share the burden of providing loans to its customers as the loan competition among the major commercial banks and between these banks and the IBJ became intense.

I would like to pause here for a word about the material upon which Chapters 5 and 6 are based. During the research for this book, for the pre-World War II period I was fortunate to gain access to documents unavailable to the general public in addition to published documents and books, but gaining access to confidential documents post-dating World War II was much more difficult because many remain sensitive. I was able to use reports on Mitsui Bank’s branch managers’ meetings – still unavailable to the public – to describe the lending activities of the bank and its competitors prior to 1960, but thereafter this text is based purely on publicly available sources. The
latter – including bank’s histories, published to commemorate anniversaries – while helpful, fail to mention several important problems: they do not refer to the difficulties caused by tightened reserve positions or shortages of funds – more specifically, they do not reveal the fact that Japan’s largest commercial banks had to give up their plans to expand their long-term loan business because they faced fund shortage problems; and they seldom refer to their bad debt problems, their lending policy for each individual customers, the real nature of the relationship between them and their customers, their individual lobbying activities and so on.

Bearing these limitations in mind, we shall now examine the kinds of supplementary device that banks introduced to intensify their unification with business groups.

Fund shortages

In general, after the postwar reconstruction period, for a decade plant and equipment investment was mainly responsible for economic growth. With this investment boom the demand for long-term capital loans increased rapidly, and consequently it became imperative for banks to acquire a great amount of funds. As stated earlier, at the beginning of the 1950s the former zaibatsu-affiliated banks tended to act as the nucleus for enterprises that had once belonged to the zaibatsu. This tendency became even stronger in the mid 1950s, when Japan’s high-speed economic growth started, and the other major banks began to follow suit.

Large enterprises obtained huge financial support from the banks and actively engaged in the expansion of their traditional undertakings. At the same time they diversified into new areas, where they competed vigorously for market share. Enterprises that operated in different areas but had financial links tended to group together for closer cooperation.

As a result of the extensive financial support given by the banks to the enterprises, the former’s excess loan situation worsened despite fact that relaxation of the regulations governing the opening of new branch offices was helping them to attract deposits. Some might wonder why the fund shortage problem continued for banks and enterprises alike in the 1960s, since the economy obviously had enough funds to make its high-speed growth possible. However the