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The Development of Japanese Banking in the 20th Century: Reflections in Western Mirrors*

ABSTRACT:
In the west, the history of Japanese finance is still often treated, following Gerschenkron, as a case of a bank-orientated rather than a stock exchange-orientated system. It is debateable whether this was true for most of the 20th century. The governance (by the state, shareholders, market and boards) of 20th century Japanese banks and the evolution of their banking policies had strong Anglo-Saxon components, despite being mainly based on continental European models. While the largest early banks were strongly state-influenced, they were, like the many private banks, governed by internally generated standards and quite market-orientated incentives (similar to German 'Tantiemen'). Modern scholarship has developed analyses of the alleged post-war Japanese 'main bank' ('Hausbank') system which suggest Japanese 'keiretsu' exceptionalism as a source of economic success, but others suggest that bank governance and policy outcomes were the result of standard capitalist experimentation and variety in which shareholders and managers negotiated many different (but boundedly rational, market-driven, and not entirely perfect) solutions, very much as in the west.

I. Origins

The Japanese banking system in the early 20th century was based on European precedents, at least in terms of its governmental and regulatory superstructure. Yet, oddly, it more closely resembled the USA's unit banks in its commercial banking market substructure. The United States was the largest world economy for 50 years before it belatedly (in 1914) created its modern central bank, the Federal Reserve Board. By contrast, European central banks – such as the Reichsbank, Banque de France, Banque Nationale de Belgique and Bank of England (then investor-owned utilities, with varying degrees of independence from the state)[1] – were already well-established, having developed key roles as government bankers, banknote issuers, lenders of last resort and foreign exchange managers under the gold standard. It was on these European models that Count Matsukata based the main Meiji era financial reforms, from 1881 onwards,[2] when he phased

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1 Within Europe, only Russia and Sweden (and, from 1906, Switzerland) had fully state-owned central banks on the modern model.

2 Richard Sylla made a very positive assessment of these reforms, comparing them to those of Alexander Hamilton in the early 19th century USA. For a critical assessment of his views, see Yoshiro Miwa / J.

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out the system of 'national' note-issuing banks, on the American model, that Japan had rashly adopted, following a US fact-finding mission and without properly considering alternatives, in 1873. After its European-style reforms, Japan did have a central note-issuing bank, the Nippon Gingko (The Bank of Japan), more than 30 years before the USA, and by 1914 its central bank's capital was ¥ 60m, a large sum for such a small country.[3] Indeed Japan arguably had four central banks, if one also counts the Yokohama Shokin Ginko (the Specie Bank, with a capital of ¥ 48m,[4] which – in concert with the Bank of Japan – managed some aspects of the foreign exchange account that in Europe were handled by central banks themselves) and the Banks of Taiwan and Chosen (central banks for the colonial acquisitions of Formosa and Korea, with 1914 capitals of ¥ 10m each, established respectively in 1899 and 1909/10). These four banks were publicly quoted and had local shareholders (foreigners were not permitted to hold shares), but the Imperial Household and government departments had subscribed a large minority of their share capitals and senior board appointments required the authorisation of the Minister of Finance. They were thus nearer to the state-dominated Banque Nationale de Belgique or German Reichsbank model[5] than to the independent Bank of England, whose board and governor were entirely elected by private shareholders from among themselves, with the British government's limited role in authorising the Bank's note issue being separately delineated in parliamentary legislation.[6]

The hand of the state was also visibly active – nearer to European than American models – in other large Japanese banking institutions developed in the Meiji era. The Deposits Bureau of the Ministry of Finance was established as early as 1877 and, as the modern postal savings system, by some measures, has now become the largest bank in the world (and is central to financing political favours in Japan's murky modern lobbying and spoils system). It originally had more in common with European post office savings banks, and soon approached the market penetration of these equivalents. By 1914, it had 12m depositors (23 per cent of the population of Japan) and ¥ 189m of deposits (equivalent to around eight per cent of GNP),[7] which the government invested in national,

Mark Ramseyer, Japanese Industrial Finance at the Close of the 19th Century: Trade Credit and Financial Intermediation, in: Explorations in Economic History 43 (2006), pp. 94-118.

3 The yen was then worth approximately two marks or two shillings (the German mark and English silver shilling being roughly at par under the pre-war gold standard). The capital of the Bank of England was only £ 14.553m fully paid (¥ 146m) and the Reichsbank's capital was 180m marks (¥ 90m). At that time, Germany's GNP at market exchange rates was ten times Japan's and at purchasing power parity three times Japan's, but Germany had a deeper discount market and stronger banks than Japan, giving Reichsbank policy actions greater leverage.

4 ¥ 30m of which was paid up.

5 Though the Reichsbank in 1913 had 2,153 foreign shareholders as well as 16,646 domestic ones (a proportion quite normal among cosmopolitan European central banks).

6 There was only limited colonial devolution in the British Empire. The Bank of England effectively controlled sterling issues for Ireland, Wales and Scotland (the Bank of Ireland was mainly a government account holder; the Bank of Scotland could only issue its own notes with English banknotes in reserve) and for many colonies such as Australia and South Africa (though others, like Canada and India, used different currencies).

7 According to Statistisches Jahrbuch für das Deutsche Reich 35 (1914), p. 305, the 3,127 German Sparkassen of 1912 had a total of nearly 23m accounts (36 per cent of the population, without correcting for duplicates) with deposits of 18, 680m marks (¥ 9,340m), equivalent to a third of German GNP.

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prefectural and municipal securities, in some quasi-public sector banks (see below), and in semi-official colonial and public utility enterprises.

There were many small and a few medium-sized private banks, some developing from feudal Tokugawa era credit institutions, many formed recently to develop banking in western style, and some formed earlier under the 1870s legislation (but now having their note-issuing powers withdrawn). One of the latter, Dai-ichi Kokuritsu Ginko (First National Bank), had been Japan's first bank, indeed its first joint-stock company, founded by the modernising civil servant, Eiichi Shibusawa, in 1873 and still, in 1904, with ¥ 5m capital, the largest commercial bank by size of its loan book (¥ 33m) and second ranked by deposits (¥ 37m).[8] However, the largest investment, mortgage and commercial banks at that time, by capital, deposits or loans, were state-backed. In 1896 the Nippon Kangyo Ginko (Hypothec Bank of Japan), modelled on France's Crédit Foncier, with ¥ 10m capital (rising to ¥ 40m by 1914), was founded, with annual dividends of five per cent guaranteed by the government for the first ten years. It was empowered to issue debentures of ten times its capital in order to make loans, repayable over up to 50 years, on the security of real estate; to make unsecured loans to public authorities, co-operative societies and fishery guilds; and to take deposits (which had to be invested in national bonds or bills of exchange). 46 Noko Ginko (Agricultural and Industrial Banks, with, by 1914, combined capitals of ¥ 47.7m), one in each prefecture, were established at the same time, their activities partly financed and coordinated by the Hypothec Bank (of which many were formally to become branches in the 1920s) and by the central and prefectural governments.

In 1900 the Hokkaido Takushoku Ginko (The Hokkaido Colonial Bank, with share capital of ¥ 5m regularly yielding nine per cent, plus ¥ 15m five per cent debentures, the latter issued both in London and Tokyo) was established to finance development of the northern island. In 1902 there followed Nippon Kogyo Ginko (The Industrial Bank of Japan), modelled on the Crédit Mobilier. Since Japan's accession to the gold standard in 1898, foreign borrowing at modest rates had become more feasible and the bank's share capital was raised to ¥ 17.5m in 1906, with the issue of 43 per cent of its shares on the London Stock Exchange.[9] Dividends, initially at six per cent, rose to ten per cent by 1913.

The UK Post Office Savings Banks in 1913 had 9.2m accounts and Trustee Savings Banks 2.0m accounts (together 25 per cent of the population, without correcting for duplicates) with, respectively, £ 187.2m and £ 68.6m (together nine per cent of UK GNP) of deposits (Statistical Abstract for the United Kingdom 82 (1939), pp. 261, 264 et seq.). The savings deposits in other savings banks are excluded from the Japanese figures. Japanese real incomes were well below those of Germany and the UK and their discretionary saving capabilities were naturally more than correspondingly lower, so this level of penetration is impressively high. The Japanese GNP in 1913 was ¥ 2,450m, Germany's 55,100m marks (approx. ¥ 27,500m at current exchange rates) and Britain's £ 2,730m (approx. ¥ 27,300m), see Raymond W. Goldsmith, Comparative National Balance Sheets. A Study of 20 Countries, 1688-1978. Chicago, Ill. 1985, pp. 226, 233, 256.

8 Shibusawa left the civil service to become its president on its foundation and remained in that position until the age of 77 in 1916. On his career see Masakazu Shimada, How Eiichi Shibusawa offered Models of Investment and Management to introduce Modern Business Practices into Japan, in: Japanese Yearbook on Business History 19 (2002), pp. 9-31.

9 The issue was sponsored by Parr's Bank, the London branch offices of HSBC and the Yokohoma Specie Bank. Most foreign investment in Japan was portfolio investment. On the operations of this market see

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There was a further overseas £ 2m (¥ 20m) five per cent debenture bond issue in 1908, half in London, half in Paris, the principal and interest being guaranteed by the Japanese government. Although European investors thus supplied nearly half its financing and were well-rewarded,[10] voting control remained in Japanese shareholders' hands, and the Meiji government retained the power to appoint the president and directors. The bank made loans to public utilities, shipbuilders and manufacturers of steel, machinery and chemicals, sometimes helping them to raise further funds abroad. Nippon Kogyo Ginko was also involved in guaranteeing and selling quasi-colonial debentures on European markets, such as the £ 12m (¥ 120m) of bonds of the South Manchuria Railway (established in 1906 under a Chinese government concession, reflecting Japan's expansionist ambitions after its remarkable recent continental victory over the larger Russian Empire). The railway's directors were appointed by – and its ¥ 120m share capital mainly owned by – the Japanese government (less than 17 per cent was held by Japanese public investors). European investors were knowledgeable about many different global corporate governance systems and it might seem surprising that they were willing to trust such substantial funds to an unfamiliar system six weeks' travelling time away. The Japanese government was, however, increasingly trusted, and that was the governance system on which western investors relied.

Unlike the USA (New York State law banned foreign banks from engaging in the mainstream local deposit and loan business, permitting them only limited roles in trade finance, securities intermediation and foreign exchange), Japan's economy was at this time only mildly protectionist. Six foreign corporate banks and some private ones operated freely within Japan, subject (after the agreed withdrawal of treaty port privileges in 1899) to local laws. For example, the corporate Hongkong and Shanghai Bank (with its Headquarters in Hong Kong, a large London office and mainly British senior staff and shareholders) was a major financier of Japanese trade and had several branches there. A private London merchant bank, Marcus Samuel & Co., helped establish Shell Oil and other enterprises in Japan. Several British (Hong Kong) companies also operated in ports such as Kobe and Yokohama, their shares traded in yen on the Tokyo unlisted market. The main port cities of Japan had large expatriate communities, dominated by the British, but with significant American, German and French participation.

It should be noted that, in the Meiji era, the (now commonly-accepted) description of Japanese finance as a 'bank-orientated system' cannot be justified. The 2,359 banks of 1901 (including the quasi-public banks) held deposits of only ¥ 516m at a time when Japanese companies had issued ¥ 829m of corporate stock and Japan's stock markets listed ¥ 1,295m of securities (about half corporate, half government).[11] The term 'zaibatsu' – an imprecise journalistic term, variously, but with appropriate ambiguity, translated into

Toshio Suzuki, Japanese Government Loan Issues on the London Capital Market, 1870-1913. London 1994, and for a contemporary German/Canadian view see London Manual of Japanese securities. Government and municipal loans, railway and shipping debentures. Compiled and issued by Dunn, Fischer & Co., London. London 1906.

10 The bank was authorised to issue up to ten times its share capital in debentures, and in 1913 more than ¥ 52m were outstanding at interest rates between four and six per cent, implying that more than half its fixed interest borrowing was also in Japan.

11 Goldsmith, National Balance Sheets (cf. note 7), p. 257.

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English as 'financial cliques', 'robber barons', 'family enterprise groups', 'conglomerate enterprises' or 'business holding company groups' – was not then in use, but the banking subsidiaries of what later came to be called zaibatsu were hardly yet giants. In the early 20th century they had smaller capitals than most major European banks and than the main Japanese public sector banks. The Mitsui sogo shosha (trading company) in the early 20th century had only ¥ 100m annual turnover and the parent Mitsui partnership approached ¥ 10m capital and reserves. The Mitsui Bank (which had been on the verge of collapse in 1890 and until 1900 had relied extensively on borrowing from the central bank[12]) also remained an unlimited partnership until 1909. It then became a joint stock company, capitalised at ¥ 20m, but its shares were still non-transferable, closely held by members of the extended Mitsui family and trusted associates and effectively controlled by the parent Mitsui Gomei holding company. Although the Mitsui family council had ultimate authority, in fact the strategy and organisation of the group was increasingly governed by trusted corporate managers, some with western experience.

Mitsui Bank was a universal bank, both underwriting securities (with good connections with leading US and British banks and the Yokohama Specie Bank) and taking deposits and making loans, sometimes helping finance the group in economic downturns when their other bankers were reducing facilities. The role of stock exchanges was vigorously promoted by banks: The two were complementary not purely alternatives (exactly as Caroline Fohlin and others have argued for pre-1914 Berlin).[13] By 1912, Japanese stock markets listed ¥ 5,993m of securities, including ¥ 2,672m company shares and ¥ 503m in corporate bonds.[14] At that time total Japanese bank deposits (including in the quasi-public banks) were somewhat smaller at ¥ 2,025m (and their loans to government and firms an even smaller portion). Of the bank deposits, Mitsui Bank held ¥ 86.6m, Sumitomo ¥ 50.0m, Mitsubishi ¥ 40.6m and Yasuda ¥ 32.4m, so collectively these four large banks had only a modest ten per cent market share.[15] When Mitsui and seven other large banks had attempted to form a cartel in 1910 to reduce the interest paid on time deposits to four per cent, it soon collapsed, in the face of competition from others offering higher rates. Market competition was a major driver of bank performance.

The picture of Japan – presented in some idealised western accounts – as a country of cooperative social norms, in which corporations eschewed 'Anglo-Saxon' capitalist methods, espoused egalitarian stakeholder objectives rather than shareholder profit maximisation, and preferred reinvesting profits in growth over distributing dividends, was no more true of the corporate governance of banks in Japan than it was in contemporary

12 In 1900 its borrowings from the Bank of Japan peaked at ¥ 13.8m; Mitsubishi Bank's similar borrowings peaked at ¥ 3.4m in 1899 and Sumitomo Bank's at ¥ 1.5m in the same year (Hidemasa Morikawa, Zaibatsu. The Rise and Fall of Family Enterprise Groups in Japan. Tokyo 1992, p. 98).

13 Jefrrey Fear / Christopher Kobrak, Banks on Board. German and American Corporate Governance, 1870-1914, in: Business History Review 84 (2010), pp. 703-736.

14 Report of M. Hanabusa to the Congrès International des Valeurs Mobilières, 1914.

15 On the zaibatsu banks see Morikawa, Zaibatsu (cf. note 12), p. 97. Total bank deposits from Financial and Economic Annual of Japan, Vol. 15. Tokyo 1915, p. 126; their share of 'ordinary' bank deposits (i.e. excluding savings bank and special government banks) was 15 per cent. Neither figure includes in the denominator deposits in foreign banks, postal savings (¥ 183m in 1912, so more than twice the size of Mitsui Bank), or mutual loan societies.

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France and Germany. Just as the latter then had strong board incentive bonuses in the form of 'Tantiemen' or 'tantièmes', so Japanese corporate governance, being modelled on German corporate law, facilitated a strong bonus culture for directors (which, curiously, was then almost unknown in American corporate charters and little developed in Britain). Nor was this confined to private sector banks: In 1912/13, when the bonuses for directors amounted to five per cent of declared profits in the private Dai-ichi (with 55 per cent to shareholders), as much as six per cent of the profits in the boards of the Bank of Japan and the Specie Bank went as bonuses to their (state-appointed) directors (with 76 per cent and 78 per cent, respectively, to their shareholders).[16]

The modal bank at this time (of which, despite some mergers, there were in total still over 2,000 spread throughout Japan) was a unit bank serving a local community, and we may guess that, in most of these, there were limited problems of corporate governance: Owners and shareholders would have known and monitored each other closely as in traditional private banking partnerships in Europe. The average number of branches per head office was only 1.5. This was a less concentrated structure than the UK or continental European countries, where dozens or hundreds of branches were already the norm for commercial banks and national market shares of the leading multi-branch banks were significantly higher.[17] Only in the USA was there a similar proliferation of thousands of competitive unit banks, largely because most American states prohibited branching and there was strong Congressional antipathy to the emergence of a 'Money Trust' among the larger New York money-centre banks.

There was no similar political impetus promoting unit banking in Japan; on the contrary, it was feared that it would produce instability. Thus from 1901 new joint stock banks were required to have at least ¥ 500,000 capital (raised for large city banks to ¥ 1m in 1911) and private ones ¥ 250,000, though ten years later several hundred banks with less than ¥ 100,000 capital still survived with 'grandfathered' rights. This disaggregated structure was a reflection of the late growth of Japanese banks and their still relatively underdeveloped condition. Japan had nonetheless created in five decades something recognisably similar to what in Europe had taken three centuries of slow financial evolution and organisational learning, and its medium-sized banks were becoming highly professional.[18] However, its relatively disaggregated banking structure, of course, conveniently matched that of the small production enterprises, typical of the private sector Meiji economy that constituted the banks' main customers.[19] Interest rates for domestic borrowers and depositors were lower than in the 1880s but remained higher than those prevailing in Europe or the USA: In 1914 an average of ten per cent was charged on advances (loans, overdrafts or bills)

16 Japan Year Book 9 (1914), p. 426.

17 By 1914 the average British bank had 157 branches and there were only 70 English banks; by 1920, after further mergers, the 'Big 5' (Barclays, Lloyds, Midland, National Provincial and Westminster) held 80 per cent of English and Welsh bank deposits.

18 Mokoto Kasuya, Personnel Management in a City Bank in Pre-war Japan. The Case of Mitsui Bank, 1897-1943 (University of Tokyo CIRJE Discussion Paper J-151). Tokyo 2006.

19 In 1907, eight per cent of German manufacturing workers were employed in private sector plants with 1,000+ employees; the equivalent Japanese figure was 3.5 per cent (Leslie Hannah, Logistics, Market Size and Giant Plants in the Early Twentieth Century. A Global View, in: Journal of Economic History 68 (2008), pp. 46-79, esp. pp. 62 et seq.)

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and over six per cent was paid on term deposits and nearly four per cent on current accounts.[20]

Japan was integrating its national market[21] and also integrating with the global economy impressively, at least for a country which had turned its back on that for many generations. Nonetheless it remained a capital-poor, foreign-exchange-constrained, technology-importing, labour-rich economy. However, for larger companies, with the prestige to issue their own bonds on the more than 30 stock exchanges of Japan (or even abroad), alternative finance to that provided by banks was sometimes available at a cheaper rate, which was one reason why its securities markets played a larger role in Japan's development than Gerschenkron considered plausible.[22]

If there was a Gerschenkronian institutional impetus driving Japan's gradual and uncertain retreat from economic backwardness in this period, it can more plausibly be seen as deriving from state ownership and direction, as from innovation driven by strong private banks (and Gerschenkron argued that the state was a more likely substitute than banks for weak securities markets in cases of extreme backwardness, like Russia, though he eschewed a direct judgment on Japan[23]). The Meiji government had divested many of its earlier nationalised enterprises in sectors such as textiles and mining, but it took control of most private railways – one of the most capital-hungry contemporary technologies – in 1906. With extensive government ownership also of steel, shipbuilding, explosives, armaments, railway equipment and tobacco manufacturers, Japan's state-owned enterprises accounted in 1906/07 for 53 per cent of all employees in manufacturing plants employing more than 1,000 workers, compared with only 15 per cent in France, nine per cent in Germany and rather less in the Anglo-Saxon economies.[24] The special public and quasi-public banks were major supporting instruments of this state policy of developing modern economic institutions and enhancing military capabilities. Some of them had larger capitals and deposits than the zaibatsu banks. There was only a small discount market and little use of cheques; and the Bank of Japan arguably followed market rates rather than setting them. Its main function (as with other quasi-public banks in Japan and its colonies) was to finance government and ease exchange constraints, though in periods of financial stringency the government forced it to act as a lender of last resort to ordinary

20 Financial and Economic Annual of Japan 15 (1915), p. 143. By contrast in the UK one to two per cent was paid on deposits and five per cent typically charged on advances. Interest rates were similar in France and not much higher in the USA, Germany or Australia.

21 For the convergence of national interest rates between 1884 and 1925, with the spread of the telegraph and bank branch networks see Kris J. Mitchener / Mari Ohnuki, Institutions, Competition and Capital Market Integration in Japan (NBER Working Paper 14090). Cambridge, Mass. 2008.

22 Alexander Gerschenkron, Economic Backwardness in Historical Perspective. A Book of Essays. Cambridge, Mass. 1966, for the view that stock markets were for advanced Anglo-Saxons, not developing economies. Kozo Yamamura, Japan 1868-1930, in: Michael Smitka (Ed.), Japanese Economic History, 1600-1960, Vol. 1: Japanese Pre-war Growth. Lessons for Development Theory? New York 1998, pp. 202-232, argues coherently that Japanese banking conformed to the English, not Gerschenkron's German model. See also Yoshiro Miwa / J. Mark Ramseyer, Banks and Economic Growth. Implications from Japanese History, in: Journal of Law and Economics 45 (2002), pp. 127-164.

23 Ibid., p. 7, note 2.

24 Hannah, Logistics (cf. note 19), p. 64, note 78.

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banks, easing the liquidity problems of generally undiversified, small-scale bankers who had lent longer than their own borrowings permitted.[25]

Banks were seen as vital contributors to the mobilisation of savings and government regulation was deliberately light, during a period of very rapid bank growth that the Meiji autocracy warmly welcomed. Savings banks had their investments restricted and some disclosure requirements, but ordinary banks were not required to disclose anything beyond what the commercial code required for all companies (and banking partnerships had even more freedom); there was no reserve requirement, nor limits on insider lending or concentrated loan books. The Ministry of Finance and Bank of Japan mainly intervened when things went wrong (as in the 1907-09 downturn, when they rescued several banks and forced mergers on others) not by implementing routine annual audits (on the model of the US Comptroller of Currency and state bank regulators).[26]

II. 1914-1945

Japan had a relatively prosperous time during Europe's dark years between 1914 and 1919: It was only a minor combatant (on the Allied side against the Central Powers, honouring its 1902 military alliance with Britain). Crucially, it benefitted from market opportunities created by the mutual destruction and reinforced mistrust among the major powers in the European civil war (that, in one form or another, was to last for more than thirty years) and at first adjusted to disordered and unstable post-1918 markets better than most Europeans. On the other hand, the country had serious economic difficulties following the great Kanto earthquake of 1923 and stagnated in the late 1920s and during its brief and belated return to the gold standard in 1930-31. As was common in the de-globalising world that the war disastrously created, the influence in Japan of foreign financial institutions and precedents declined in this period.[27]

However, in the 1930s Japan experienced recovery and considerably more economic growth than the west, but with growing militarisation, political repression, nationalism and imperialist adventurism in China. This culminated in Japan's absurd attempt in 1941 to defeat the USA, an economy five times its size, albeit by supplementing its own established colonies with three European empires in Asia and an alliance with the German Reich (which by 1941 controlled a European economic space which had produced more

25 George C. Allen, A Short Economic History of Modern Japan. London 1946, p. 51-55.

26 Hassouna Moussa / Jiro Obata, The Rise of the Current Banking System in Japan, 1868-1936 (Tsukuba Economics Working Paper 2009-011). Tsukuba 2009, argue that this created a moral hazard problem, with serious later consequences.

27 By 1936 there were two British banks in Japan (HSBC with three branches and Chartered with two), two continental European (Banque Franco-Japonaise with two and Nederlandsche Handel-Maatscahppij, with one), one American (National City Bank with four branches) and one Chinese (Bank of China, one branch), but they had a tiny market share (The Manchukuo Year Book (1939), p. 301). American and British bankers operating from Europe put pressure on Mitsui Bank to strengthen its loan quality, in the early 1930s (Shinji Ogura, Mitsui Bank's Lending Policy in Transition in the Interwar Years, in: Makoto Kasuya (Ed.), Coping with Crisis. International Financial Institutions in the Interwar Period (Fuji Conference Series 6). Oxford 2003, pp. 82-110, esp. p. 97 et seq.).

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peacetime output than the USA). This lunacy ultimately provoked widespread destruction of Japanese cities by intensive American bombing, followed by unconditional surrender, mercifully rapid occupation and independence for all its colonies.

These momentous political, and macroeconomic timing, differences between Japan and the western mainstream had their counterparts in banking. The greatest-ever Japanese banking crisis (before the 1940s and 1990s) came in the 1920s, some years in advance of the locally-rooted (but internationally-contagious) banking collapses in central Europe and the USA of 1931-33. Thereafter, the growing militarisation of the Japanese economy, if initially beneficial in stimulating demand, eventually led to banks becoming an arm of munitions policy, losing much of their decision-making autonomy, and (as in Germany) attracting the censorious attention of the occupation authorities in the post-1945 period.

The national financial system that weathered the crises of 1914-45 best was arguably that of Britain, which, unusually, experienced only modest inflation and no banking panic, whether in war or depression. Moreover, low interest rates set by the Bank of England and an early abandonment of the gold standard stimulated Britain's rapid 1930s recovery. In the USA, by contrast, the new Federal Reserve Board failed to fulfil the hopes of its founders, Nelson Aldrich and Paul Warburg, that it would be able to control banking panics. UK banks had relatively few bad debt problems throughout the multiple international macroeconomic crises of this era (in Barclays Bank, for example, losses from bad debts only exceeded one per cent of the loan book in 1922, 1932 and 1939 and never exceeded 1.8 per cent of the loan book, even in these difficult years).[28] The Bank of England was able secretly to rescue the few smaller UK banks that encountered problems in the early 1930s, without causing any collapse of confidence or the contagion effects that afflicted many other banking systems.

Japanese banks actually followed the business model of British banks quite closely in this period: For example, most of their loans were short-term and (until military pressures changed imperatives) they largely eschewed long-term lending to industry. However, the results of (apparently similarly) prudent commercial banking were very different in Japan and Britain, largely because the British banking structure was more concentrated and monopolistic, creating a large margin of safety during downturns, which the small banks of Japan, with only modest branch networks, lacked. This British banking structure was arguably in the long-run damaging to Britain's economic efficiency, contributing to its weak 'Mittelstand' sector and excessive commitment to large-scale managerial enterprises.[29] Indubitably, however, it promoted financial stability, by strengthening bank balance sheets. Not surprisingly, then, much of the reorganisation of Japanese banking in the inter-war years took the form of increased consolidation into fewer, stronger banking groups, though the process went considerably less far than it had in Britain, so finance

28 Margaret Ackrill / Leslie Hannah, Barclays. The Business of Banking, 1690-1996. Cambridge 2001, p. 451. The bad debt peak of 1939 was mainly anticipated losses on German, not domestic, accounts and these were, in fact, repaid post-war.

29 Leslie Hannah, Marshall's Trees and the Global Forest, in: Peter Temin / Dan Raff / Naomi Lamoreaux (Eds.), Learning by Doing in Markets, Firms and Countries. Chicago, Ill. 1999, pp. 253-293; Francesca Carnevali / Leslie Hannah, The Effects of Banking Cartels and Credit Rationing on UK Industrial Structure and Economic Performance since World War Two, in: Michael Bordo / Richard Sylla (Eds.), Anglo-American Financial Systems. New York 1995, pp. 65-88.

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for the small firm sector was not compromised, except in so far as military procurement requirements increasingly distorted Japanese banking policy.

There were several bank runs in 1920s Japan, culminating in the Showa financial crisis of 1927, when 45 banks closed. Apart from the macroeconomic sluggishness of these years and the persistence of small-scale banks, the Japanese banks' own policies and weak governance practices contributed to the crisis. Insider lending to industrialist directors led to some illiquid advances, while the banks had not increased their capital in line with their growing balance sheets. The Fifteenth Bank was large and prestigious (it was known as the nobles' bank), but had too many loans to the Matsukata family and the troubled shipping and shipbuilding industries: On 21 April 1927 a run forced it to close. Even the government's Bank of Taiwan had similar problems. It had started lending on the Japanese mainland and had a concentration of loans to the bankrupt Suzuki group (after reconstruction, legislation confined it to its original function in colonial Taiwan).

The Bank Act of 1927 addressed the crisis by enforcing a minimum capital requirement of ¥ 1m on all banks, a requirement that 809 banks – the majority – could not meet, thus encouraging their exit or merger. This was not self-evidently the best or only answer (many of the banks that had failed had higher capitals), but it did lead to larger, stronger banks. Okazaki and Sawada showed that banks in networks (defined as those having interlocking directors) were more likely to survive than those outside and many of the mergers that occurred were between banks already participating in such a prudential network.[30] The Ministry of Finance began more rigorous auditing and strongly encouraged merger and increasing concentration. Showa Bank was established by the government to liquidate and reorganise ten of the larger failed banks.

By 1932 Japanese banks had an average of ten branches each and 13 large banks averaged 74 branches each, much closer to the European norm than in pre-war years. Between 1925 and 1936 corporate and government bonds (more liquid and safer than advances) also increased from 15 per cent of bank assets to 27 per cent.[31] There was, however, no US-style Glass-Steagall Act, separating commercial from investment banking. Some Japanese banks continued to do a wide range of investment and commercial banking business, concentrated insider lending remained legal, and banks in zaibatsu groups shared some investments and underwriting with insurance companies and trust companies within the group. Some zaibatsu banks and insurance companies appear to have played a role in acquiring and turning round poorly performing companies.[32] Finance was a core part of zaibatsu activity: Takeda calculated that, in 1937, 50 per cent of their total assets were in their 35 banks and 14 per cent in their 28 insurance, trust and securities companies.[33]

30 Tetsuji Okazaki / Michiru Sawada, Interbank Networks in Pre-war Japan. Structure and Implications (University of Tokyo, Department of Economics Working Paper CARF-F 142). Tokyo 2008.

31 Makoto Kasuya, Bond Markets and Banks in Interwar Japan (LSE STICERD Research Paper No. IS521). London 2008.

32 Tetsuji Okazaki, The Role of Holding Companies in Pre-war Japanese Economic Development, in: Social Science Japan Journal 4 (2001), pp. 243-268.

33 Haruhito Takeda, Corporate Governance of Zaibatsu during the Inter-war Period, in: Entreprises et Histoire 21 (1999), pp. 90-99, esp. p. 91. Their portions of paid up capital of zaibatsu firms were naturally (in view of financial leverage effects) lower: 13 per cent and two per cent respectively.

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Although large banks were among those failing in the 1920s, the shakeout favoured the better managed among them: They increased their market share, by attracting deposits in a flight of depositors to quality, as well as through merger. For example, from 1909 to 1933, under the leadership of President Ikeda (a professional, non-family manager – like most leaders of Mitsui businesses – who advocated a British approach to banking based partly on his correspondent relationship with Barclays and a visit to the UK), Mitsui Bank (though it had many serious bad loans and investments) largely contained its problems. It developed a stable deposit base based on reputation rather than high interest rates, widened outside minority shareholding (appropriately increasing transparency), and developed ample reserves and stronger credit standards (focusing lending on large, fast-growing companies in less cyclical industries and short-term commercial loans). Its close relationships with the central bank and full Mitsui group subsidiaries (in 1899 87 per cent of overdrafts at Mitsui's head office were from group companies) were reduced and by 1930 advances to those subsidiaries amounted to only ten per cent of its loan book.[34] By some measures, Japan remained a more stock-market orientated economy than the USA.[35]

By 1937 (when the number of ordinary banks had declined to 376, from 1,283 in 1927, mainly as a result of mergers) about half their deposits and advances were in six leading banks. The largest (by deposit size) were Sanwa (a 1933 merger of three Osaka banks) and Sumitomo (also in Osaka), followed closely by the four leading Tokyo city banks: Dai-ichi, Yasuda, Mitsui and Mitsubishi, in that order.[36] The zaibatsu banks (Sumitomo, Yasuda, Mitsui and Mitsubishi) were prominent here, not so much because they were in *zaibatsu,* but rather because they were in well-managed zaibatsu, which had understood the importance of corporate governance rules forcing them (as legislation did in some other countries) to eschew extremes of insider lending. Some zaibatsu which had not enforced such anti-insider rules – Furukawa, Suzuki, Asano and Fujita – had perished with their banks (or been severely reduced in scale) during the 1920s financial crises, while the two among the six largest banks that remained independent of zaibatsu, Dai-ichi and Sanwa, had pointedly abstracted themselves from earlier dalliances with the Furukawa and Fujita zaibatsu.[37] Some of the so-called new zaibatsu, such as Aikawa (including Nissan and Hitachi), grew fast in the 1930s, without a private banking affiliate (but with increasing assistance from Nippon Kogyo Ginko and other state sources).[38] The Yasuda zaibatsu – owning only a small bank in 1920 – had become a specialist financial conglomerate, dropping many of its industrial activities and by 1929 having 209 bank branches, while Mitsui (with only 19 branches) concentrated on large deposits and loans, foreign exchange and underwriting, including securitising many of its loans as corporate bonds.[39] All the main zaibatsu banks had strict policies of limiting the loans they made to

34 Morikawa, Zaibatsu (cf. note 12), p. 96; Mitsui Bank (Ed.), The Eighty-year History of Mitsui Bank. Tokyo 1957, pp. 421 et seq. The in-group loans increased temporarily during World War One and again in the later 1930s. See Okura, Mitsui Bank's Lending Policies (cf. note 27), pp. 87, 104 et seqq.

35 Yasushi Hamao / Takeo Hoshi / Tetsuji Okazaki, Emergence and Development of the Stock Market in Pre-war Japan (University of Tokyo Conference Paper). Tokyo 2004.

36 The Manchukuo Year Book (1939), pp. 294, 301.

37 Morikawa, Zaibatsu (cf. note 12), p. 163.

38 Ibid., p. 227.

39 Ibid., pp. 159-161; Ogura, Mitsui Bank's Lending Policy (cf. note 27).

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in-group industrial and commercial enterprises, to enhance their public reputation. Not only did they tightly restrict lending to group subsidiaries, but almost all borrowings by non-banks within the groups were from other non-group banks.[40]

It is a moot point whether the emphasis in the literature on the uniqueness of zaibatsu as a Japanese institution is sensible. Apart from acknowledged parallels such as the Korean chaebol, one might just as easily speak of a Du Pont or Rockefeller zaibatsu in the USA (the latter including National City Bank), the Krupp or Quandt zaibatsu in Germany, the Anglo-French-Austrian Rothschild zaibatsu, the British Pearson zaibatsu (including Lazards Bank) or the Swedish Wallenberg zaibatsu (including Skandinavska Enskilda Bank), the De Wendel zaibatsu in France, or Empain in Belgium, or Putilov in Russia. These were sometimes less diversified (as were some of the smaller Japanese zaibatsu) and sometimes had no central office (though even those of the largest Japanese zaibatsu employed only a few dozen managers), or no bank (again, as in Japan), but some of them were bigger than the Japanese zaibatsu.[41]

The Mitsui and Mitsubishi Banks were two among several banks that had succeeded in Japan and they had done so with good corporate governance and dominant family owners, most of whom, like rich families everywhere, tended to pursue cultural, social, charitable and political interests elsewhere, on the basis of their wealth being increasingly looked after by loyal and well-motivated professional managers, some of whom were bankers. In some cases, family control was shared: The Sumitomo Bank had, for example, appointed an outside director in 1918 following the public issues of a minority of its shares, which (in common with many zaibatsu banks at the time) had diluted family ownership.[42] However, most bank boards were dominated by professional bankers, rather than by family directors or by outsiders: They resembled a 'Vorstand' more than an 'Aufsichtsrat' or an Anglo-American bank board (in which outside directors sometimes outnumbered professional bankers). This was the outcome of perfectly normal processes of capitalist market competition and social evolution of a power elite, and of increasing specialization and professionalization of enterprises, in which a mixture of luck and good management led some firms to do better than others. The emergence to prominence of Mitsui, Mitsubishi and Sumitomo is not clearly different, in any fundamental sense, to what had happened (and was still happening) elsewhere, with the obvious exception of the Soviet Union; and since there were economies of scale in banking, over time it led to the increased market share of large banks (even, albeit in more muted form, in the USA, where there were strong legal and political restraints limiting such benign developments).

This situation in Japan changed rapidly in the 1930s, for mainly political reasons, helping to reinforce later myths of the zaibatsu. In the failed coup d'état of 1936, the finance minister had been assassinated and, after the drift into war with China in 1937, the Nation's Total Mobilisation Act took effect in May 1938. Similarly to the Nazi dictatorship's bypassing of normal financial life and business autonomy in contemporary Germany, this led to an emasculation of financial institutions in pursuit of self-sufficiency and military

40 Morikawa, Zaibatsu (cf. note 12), pp. 96, 166-169.

41 Only Mitsui, Mitsubishi and Aikawa were big enough by group market capitalisation to be among the 100 largest industrial firms in the world in 1937, while the Du Pont zaibatsu included General Motors and Du Pont (each independently in the global top 100), as well as US Rubber and other interests.

42 Ogura, Mitsui Bank's Lending Policies (cf. note 27), p. 86.

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spending. All new bond and stock issues were controlled by the state and state permission was required for any bank loan above ¥ 100,000. The banks, whether state-controlled or private, became an instrument of state power, attempting (with mixed success) to prioritise the war, military production and exports. With the later war on America, controls over their civilian activities became prohibitive and more intra-group financing of the war was imperative.

Bankers, particularly zaibatsu bankers, were held to account by the Allied occupation after the war, some being imprisoned and expropriated, and zaibatsu financial groups and other large entities were dissolved into smaller units. The 1943 merger of Mitsui with Daiichi to form Teikoku Ginko (Imperial Bank) – which enabled the bankers at Mitsui Bank finally to break away from Mitsui family control, though the latter retained a financial interest[43] – was reversed in 1948. The post-war crisis saw most banks effectively insolvent, though deposits were frozen under a necessary moratorium and massive inflation then substantially removed these liabilities. Expropriation of zaibatsu families and large landlords by the occupying administration and redistribution to the middle classes was much stronger in post-war Japan than in Germany.

III. Post-1945

Any treatment of post-war Japanese banking – or understanding of its advantages and disadvantages – again has to confront some basic facts of Japanese exceptionalism. From the early 1950s to the 1980s Japan's economic performance was very impressive, even by the high standards of the 'Wirtschaftswunder' or 'les trentes glorieuses', with growth rates at unprecedentedly high and sustained levels, propelling Japan from well below European living standards in the post-war decade to somewhat above them by the closing decade of the 20th century (though, as with the USA, its productivity achievement was less impressive in per hour than per head terms: The Japanese take fewer holidays and work longer hours). However, since 1990 Japan has been one of the poorest performers among the OECD economies. It has built up a ratio of government debt to GDP which makes Greece and Ireland look positively virtuous (though it financed this mainly domestically – and 24 per cent of its debt is held by Japanese banks – without the irresponsible foreign bank complicity enjoyed by the euro-area's profligates). Its long-lasting, near-zero, interest rates now appear quite normal rather than (as they are still viewed elsewhere) short-term crisis measures. Yet the Bank of Japan eschewed emergency monetary stimulus measures such as quantitative easing; and the conventional wisdom is that banks and government colluded for years to avoid decisively resolving its bad bank problems, delaying recovery. There is, however, as wide a range of explanations of the banks' involvement in Japanese macroeconomic problems – varying from defective products, through defective management of risk to defective government policy – as there is of the west's recent economic crisis. Fortunately, mired in their problems of debt deflation, Japan's banks could not become too deeply involved in the latter crisis through buying the toxic, global financial 'innovations', which, in the event, recently proved so damaging to the balance sheets of

43 Ibid., pp. 106 et seq.

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western banks.

The resultant problem in interpreting modern Japanese history is that many of the earlier diagnosed causes of its earlier economic miracle – such as the supposedly wonder-working planning acumen of the Ministry of International Trade and Industry (MITI), or the networking, information signalling or corporate governance advantages of the 'main bank' ('Hausbank') system of its keiretsu business groups that succeeded the zaibatsu – appear to have been puzzlingly unable to generate results of parallel impressiveness since 1990. One might reconcile these apparently conflicting observations by arguing that the requirements of structural changes in the post-war process of copycat, catch-up growth were very different from those necessary to sustain superior performance on the global technological frontier (which Japan was approaching by 1990). However, Japan's recent poor performance has inevitably also provoked more sceptical analyses of the earlier theories about alleged Japanese institutional advantages, in the corporate governance of its banking or elsewhere. It is, moreover, difficult for foreigners who experience the modern Japanese banking system to avoid the impression that, in terms of technology and productivity, its current performance leaves something to be desired (though some of the apparently low productivity may reflect a Japanese taste for superior levels of customer service).

The most powerful arguments in favour of the superior corporate governance aspects of the post-war Japanese banking system have been made by Hoshi and Kashap and by Aoki.[44] Their accounts meshed with some other aspects of modern interpretations of post-war Japan, in particular the notion that the government played a large role as a benevolent and far-seeing economic planner, using 'administrative guidance' learned by the wartime military rather than the state ownership it had favoured before 1914, and that the zaibatsu, despite their dissolution by McArthur's occupation authorities, loosely reconstituted themselves as keiretsu[45] – more informally mutually supportive business groups – after the war. Unlike Germany, where some firms (like IG Farben and Vereinigte Stahlwerke) accepted the Allies' judgment on the desirability of demergers and competition, but others (like Deutsche Bank and Dresdner Bank) did not, the former zaibatsu recognised the corporate governance advantages of their past cooperation and mutuality, using the main bank (a notion similar to that of the German 'Hausbank') as the cement that held the keiretsu together (though there were, allegedly, other powerful cementing forces, such as inter-corporate shareholdings and monthly presidents' lunches).

The main post-war keiretsu were sometimes defined by previous pre-war zaibatsu membership, sometimes by cross-shareholdings, but mainly, at least by banking researchers, according to their constituent companies' relations with six major banks. These were the ones that we have already noted as dominating Japanese banking in the 1930s: Dai-ichi Kangyo (a 1971 merger of First National with the former Hypothec Bank, which had earlier been privatised), Sanwa, Fuji Bank (the name adopted in 1948 by the former

44 Takeo Hoshi / Anil Kashyap, Corporate Financing and Governance in Japan. The Road to the Future. Cambridge, Mass. 2001; Masahiko Aoki, Information, Corporate Governance and Institutional Divergence. Competitiveness in Japan, the USA and Transitional Economies. Oxford / New York 2000.

45 Literally 'series of firms'. The discussion here is limited to one kind of keiretsu – the kigyo shudan (horizontally diversified business groups) – and excludes seisan keiretsu or ryutsu keiretsu (vertically organised groups such as Toyota and its suppliers).

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Yasuda Bank), Mitsui, Mitsubishi and Sumitomo. Drawing on the insights of information economics and the theory that banks overcame information asymmetries and developed monitoring roles, it was suggested that Japanese main banks now went far beyond the minimal role of specialised 'Anglo-Saxon' commercial bankers (such as taking deposits and making loans). They invested in group company shares, took board positions that gave them access to superior information, made extensive loans, and acted on behalf of other banks who also made loans (while recognising and piggy-backing on the main bank's superior information and monitoring capabilities). This (combined with some government policies such as rationing foreign exchange, limiting corporate access to stock markets, subsidising loans, and capping interest rates to limit competition) enabled the banks to manage and finance stable and profitable growth in their favoured client enterprises. Moreover, when things went wrong, the terms of the implicit contracts between them meant that the main bank acted to rescue firms, through well-financed and carefully calibrated restructurings that represented a superior outcome to that of more chaotic bankruptcy systems elsewhere. Such tales of relationship banking appealed to many economists in the 1980s, who struggled to accept some of the culture-based interpretations of Japanese banking, but found that this version happily conformed with their incentive-compatible, rational choice models.[46]

There is some evidence for aspects of this story. The keiretsu did coordinate some policies and sometimes their constituent companies had a good relationship with their main bank. There were cross-shareholdings and these did effectively suppress any development in Japan of an active market in corporate control, of the kind that was re-emerging in the UK from the 1950s, the US from the 1960s and even in Germany and France later.[47]

It has also been possible for some of this model's adherents to develop a logically consistent account of what went wrong in Japan after 1990: The suggestion is that under the pressure of de-regulation these mutually beneficial relationships began to break down and the banks were no longer able to exercise their wonder-working powers. Firms were much freer to borrow in the bond markets and bankers failed to diversify sufficiently overseas and into fee-earning capital market functions and rushed instead into unfamiliar and risky lending on real estate, fuelling the late 1980s asset price bubble. A crisis in corporate governance and bank solvency was thus induced by a subversion of the main bank system.

On the other hand, the recent experience has prompted more scholars to question some aspects of the traditionally accepted story of the keiretsu and main banks. The sceptical case has been most powerfully advanced by Miwa and Ramseyer,[48] who basically treat

46 Similar fables were told of other countries: Most notably Bradford de Long's widely-cited, reinvention of J. P. Morgan (J. Bradford De Long, Did J. P. Morgan's Men add Value? An Economist's Perspective on Financial Capitalism, in: Peter Temin (Ed.), Inside the Corporation. Historical Perspectives on the Use of Information. Chicago, Ill. 1990, pp. 205-236). For his implausibility, see Leslie Hannah, J. P. Morgan in London and New York before 1914, in: Business History Review 85 (2011), pp. 113-150, esp. pp. 142 et seqq.

47 Leslie Hannah, The Shareholders' 'Dog' that did not bark. Contested Takeover Bids in Long-Run Comparative Perspective, in: David R. Green / Alastair Owens / Josephine Maltby, Men, Women and Money. Oxford 2011, pp. 228-247.

48 See Yoshiro Miwa / J. Mark Ramseyer, Asking the Wrong Question. Changes of Governance in Histori-

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the keiretsu and main banks as fables, invented by muckraking journalists and Marxist academics, with little or no basis in reality. Although they do not deny that Japanese companies had bankers or that Japanese company presidents had lunches, they point out that capital market restrictions that might have facilitated non-market behaviour had largely disappeared by the 1960s and that Japan was very much a competitive, stock-market orientated economy. In 1983 the Tokyo and Osaka Stock Exchanges combined listed 2,464 domestic firms capitalised at $ 1,014B, a level, relative to its size, apparently at least as 'Anglo-Saxon' as the United States (where the NYSE and American Stock Exchange combined listed 1,424 firms, with a capital of $1,580B), and not at all like the modest Frankfurt or Paris bourses. Moreover many of the most successful firms of post-war Japan (Toyota, Toshiba, Honda, Canon), were not members of these main bank keiretsu, and main banks generally held much lower corporate shareholdings in group companies than the ten per cent that the law allowed until the 1970s (in Germany financial institutions' shareholdings were sometimes larger). The Mitsubishi Bank, for example, in 1965 held no shares in five 'group' members, less than five per cent in 33 and five to ten per cent in only eight (and three other Mitsubishi financial group members had generally smaller holdings). Examining a number of cases of allegedly productive main bank 'rescues' of industrial firms, they point out that outcomes often depended on other factors than finance, and that bankers actually made rather poor managers of industrial firms and generally eschewed such responsibilities. Japanese firms were limited in their access to the bond markets by restrictive practices by the banks, not by keiretsu restraints, but made up for this by borrowing directly from other intermediaries such as insurance companies. Most (57 per cent) bank directors did come from the alleged main bank, but 43 per cent did not and Miwa and Ramseyer question whether banks were quite as willing to trust other banks to monitor as the main bank hypothesis suggest, while all banks naturally tried to withdraw finance from unprofitable and failing firms. In other words, market capitalism – efficient, but also red in tooth and claw – was alive and well in Japan, and produced failures as well as successes: There was no 'magic bullet' benignly propelling a cooperative system of planned mutuality ever upward and onward. Such a view does not have as many problems explaining the post-1990 experience as the main bank view. If there was no 'magic bullet' before 1990, it is not necessary to explain why it did not work after 1990 (and explanations for changed performance perhaps lie elsewhere).[49]

cal Perspective?, in: Klaus J. Hopt / Eddy Wymeersch / Hideki Kanda / Harald Baum (Eds.), Corporate Governance in Context. Corporations, States and Markets in Europe, Japan and the US. Oxford 2005, pp. 73-84; Yoshiro Miwa / J. Mark Ramseyer, The Multiple Roles of Banks? Convenient Tales from Modern Japan, in: ibid., pp. 527-566; id., Fable of the Keirets. Chicago, Ill. 2004; see also Yoshiro Miwa, Are Japanese Firms becoming more independent from their Banks? Evidence from Firm-level Data of the Corporate Enterprise Statistics, 1994-2009 (University of Tokyo, Department of Economics Working Paper). Tokyo 2011.

49 An alternative, of course, is to argue that the main bank relationship was inefficiently anti-competitive (and Japan succeeded earlier in spite of, not because of, it) and that its continuation in more difficult times compounded the problems originating elsewhere. An example is Joe Peek / Eric S. Rosengren, The Misallocation of Credit in Japan (NBER Working Paper 9643). Cambridge, Mass. 2003.

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IV. Conclusion

This paper has described the background to, and some corporate governance implications, of Japanese banking evolution, against some western yardsticks. Japan was not Europe and Japan was not the United States, but its banking institutions arguably conformed rather more closely (though varyingly) to western models than much of the literature suggests.

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