

Market, Medicine, and Empire: Hoshi Pharmaceuticals in the Interwar Years

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## ABSTRACT

### Market, Medicine, and Empire: Hoshi Pharmaceuticals in the Interwar Years

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This dissertation examines the connections between global capitalism, modern medicine, and empire through a close study of Hoshi Pharmaceuticals during the interwar years. As one of the leading drug companies in East Asia at the time, Hoshi embodied Japan's imperial aspirations, rapid industrial development, and burgeoning consumer culture. The company attempted to control every part of its supply and distribution chain: it managed plantations in the mountains of Taiwan and Peru for growing coca and cinchona (the raw material for quinine) and contracted Turkish poppy farmers to supply raw opium for government-owned refineries in Taiwan. Hoshi also helped shape modern consumer culture in Japan and its colonies, and indeed, became an emblem for it. At its peak in the early 1920s, Hoshi had a network of chain stores across Asia that sold Hoshi-brand patent medicines, hygiene products, and household goods. In 1925, however, the company's fortunes turned for the worse when an opium trading violation raised suspicions of Hoshi as a front for the smuggling of narcotics through Manchuria and China. Although the company was a key supplier of medicines to Japan's military during World War Two, it could not financially recover from the fallout of the opium scandal. In 1952, the industrialist Ōtani Yonetarō seized control of the company from the Hoshi family.

By tracing Hoshi's activities across Japan's expanding empire and beyond, this dissertation shows how private, transnational drug companies such as Hoshi played a vital role in manufacturing and selling Japan as a modern nation and empire. Like many other transnational corporations during the autarkic global climate of the interwar years, Hoshi constantly looked abroad to learn about, borrow, and translate technologies that were circulating across the globe to support the "business" of empire building. Hoshi Pharmaceuticals embodied the symbiotic connections between government and business interests; an ideology of cooperation where the "interests of capital and labor are one"; and adaptations of global, particularly American, technologies of management.

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## Introduction

Japan's pharmaceuticals industry did not fully emerge until World War One. Although some businessmen had begun importing Western medicines as early as the mid-nineteenth century (at a time when the majority sold Chinese herbal medicines), most drug merchants became manufacturers only after the outbreak of the First World War disrupted imports of European, particularly German, medicines. With Europe mired in conflict, Japanese companies seized the moment to manufacture their own Western-style medicines.<sup>1</sup> Under the banner of "self-sufficiency" (*jikyū jisoku*), which identified the shortage of essential medicines as a threat to national security, the Home Ministry voided overseas patent rights, ordered state laboratories to reveal drug formulae, and provided

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<sup>1</sup> Maki Umemura, *The Japanese Pharmaceutical Industry: Its Evolution and Current Challenges* (London, UK: Routledge, 2011); Nihon yakushi gakkai, ed., *Nihon iyakuhin sangyōshi* (Tokyo: Yakushi nippōsha, 1995); Nihon no shinyaku hankō kai, ed., *Nihon no shinyaku* (Tokyo: Yakuji nippōsha, 1969); Nishikawa Takashi. *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi*. Tokyo: Yakuji nippōsha, 2010; and Amano Hiroshi, *Gaisetsu kusuri no rekishi* (Tokyo: Yakuji nippōsha, 2000); and Julia Yongue, "Origins of Innovation in the Japanese Pharmaceutical Industry: The Case of Yamanouchi Pharmaceutical Company (1923-1976)," *Japanese Research in Business History* 22 (2005): 109-136. Other industries did the same, e.g., Barbara Molony, *Technology and Investment: The Prewar Japanese Chemical Industry* (Cambridge, MA: Harvard University Asia Center, 1990); William D. Wray, *Managing Industrial Enterprise: Cases from Japan's Prewar Experience* (Cambridge, MA: Harvard University Press, 1989). For more on the economy in the interwar years, see, for example, *The Interwar Economy of Japan: Colonialism, Depression, and Recovery, 1910-1940*, edited with introductions by Michael Smitka (New York and London: Garland Publishing, Inc., 1998); Randall K. Morck and Masao Nakamura, "A Frog in a Well Knows Nothing of the Ocean: A History of Corporate Ownership in Japan," in *A History of Corporate Governance around the World: Family Business Groups to Professional Managers*, edited by Randall K. Morck (Chicago and London: University of Chicago Press, 2005); and Morikawa Hidemasa, *Zaibatsu: the Rise and Fall of Family Enterprise Groups in Japan* (Tokyo: University of Tokyo Press, 1992). For a broad introduction to the global history of pharmaceuticals, see Stuart Anderson, *Making Medicines: A Brief History of Pharmacy and Pharmaceuticals* (London: Pharmaceutical Press, 2005). Notable histories of leading drug companies include Roy Church and E.M. Tansey, *Burroughs Wellcome and Co.: Knowledge, Trust, Profit and the Transformation of the British Pharmaceutical Industry, 1880-1940* (Lancaster, UK: Crucible Books, 2007) and Roy P. Vagelos, *Medicine, Science, and Merck* (Cambridge, UK: Cambridge University Press, 2004).

monetary incentives to promote domestic production.<sup>2</sup> Government intervention during the war led to a rapid expansion in the pharmaceutical industry, as firms old and new rushed to satisfy the demand at home and carve out new markets abroad. Perhaps no firm benefited more from this state sponsorship than Hoshi Pharmaceuticals.

Hoshi Pharmaceuticals is a textbook case of Japanese corporate development as it matured in the interwar years. Its major characteristics check all the boxes of what has been described -- and de-historicized -- as a culturally distinct Japanese pattern: an ideology of "firm as family as nation," corporate paternalism, co-dependence of government and business, and vertical integration with autarkic aims.<sup>3</sup> From its founding in 1906, the company served as an instrument of Japan's national development and colonial expansion. According to its founder, Hoshi Hajime (1873-1951), an ardent nationalist who served as a representative in the National Diet five times between 1911 and 1947, the company had two goals: to make Japan the leading pharmaceutical-producing nation in the world and to demonstrate that a profit-making enterprise could be combined with a commitment to social welfare based upon family values. The early capital for the company came from a group of likeminded politicians-cum-industrialists

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<sup>2</sup> Nihon yakushi gakkai, *Nihon iyakuhin sangyōshi* (Tokyo: Yakuji nippōsha, 1995), 56-62; Yakugyō keizai kenkyūjo, *Yakugyō keizai nenkan* (Tokyo: Yakushi nippōsha, 1967), 241-246.

<sup>3</sup> See, for example, Richard J. Samuels, *Machiavelli's Children: Leaders and their Legacies in Italy and Japan* (Ithaca, NY: Cornell University Press, 2003), 124-175; Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford, CA: Stanford University Press, 1982); Chie Nakane, *Japanese Society* (Berkeley, CA: University of California Press, 1970); and Ronald Dore, *British Factory, Japanese Factory: The Origins of National Diversity in Industrial Production* (Berkeley, CA: University of California Press, 1973). Historians such as Andrew Gordon, Sheldon Garon, and William Tsutsui have convincingly challenged the cultural foundations of this "Japanese pattern" in their well-regarded works. See, for example, Andrew Gordon, *The Evolution of Labor Relations in Japan: Heavy Industry, 1853-1970* (Cambridge, MA: Council on East Asian Studies, 1985); Sheldon Garon, *The State and Labor in Modern Japan* (Berkeley, CA: University of California Press, 1987); and William M. Tsutsui, *Manufacturing Ideology: Scientific Management in Twentieth-Century Japan* (Princeton: Princeton University Press, 1998).

associated with Gotō Shinpei (1857-1929), one of Japan's leading statesmen and advocates for Japan's colonial expansion, particularly through economic means. Official connections helped Hoshi become the government's largest supplier of opium, quinine, and cocaine as the company provided the medicines for Japan's colonial and wartime aims. Hoshi had plantations in Taiwan and Peru for growing coca and cinchona (the raw material for quinine) and contracts with Turkish poppy growers and Dutch quinine merchants. At its peak in the mid-1920s, the company claimed a network of more than 35,000 chain stores across Japan's empire, with a capitalization of fifty million yen (its nearest competitor, Sankyō, had a capitalization of only 12 million yen).<sup>4</sup>

While Hoshi can indeed be viewed as a classic of "Japanese-style" corporate development, it neither sprang full-blown from existing business practices nor evolved in isolation from the trends of the times, whether Japanese or global. In the first instance, the company developed in response to a concern common to political and business leaders in other industrializing nations at the turn of the twentieth century: the realization that the invisible hand of the free market needed a helping hand. Adam Smith, David Hume, and other proponents of English economic liberalism believed that a self-regulating free market provided the greatest social good for all and was the best arbiter for the division of economic spoils. Their axioms depended on the strength of the British state and the dominance of its empire in the world economy. But when this strength began to wane in the late nineteenth century, dissenting voices, whether those of socialists like Karl Marx or statisticians like Friedrich List, became increasingly prominent.

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<sup>4</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyo* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 5; Sankyō kabushiki gaisha, ed., *Sankyō hyaku-nen shi: shiryōhen* (Tokyo: Sankyō kabushiki gaisha, 2000), 52.

The outbreak of the Great War and the subsequent collapse of the world economic order seemed to many to confirm the dangers of the market economy, ushering in a period characterized by protectionism, autarky, and state planning. The importance of imperial expansion for the security of the nation and the exploitation of resources was unquestioned. Statist solutions and managerial techniques had particular appeal for firms like Hoshi, an industry outsider that operated in a nation on the margins of the world order. Hoshi saw a need to prevent competition in order to compete.

Hoshi Hajime first encountered such globally circulating ideas at the turn of the twentieth century in the United States, where he became immersed in Progressive Era debates about the deleterious influence of large-scale corporations on American society in the context of the looming threat of socialism. Like other entrepreneurial and nation-conscious elite Japanese youth of his day, Hoshi had traveled abroad for technical and intellectual training. He arrived in the United States in the 1890s as it was undergoing a reappraisal of economic and social development during the "Gilded Age." While some condemned the monopolistic power of firms like Standard Oil and Carnegie Steel for ruining the proper functioning of the "invisible hand" and deepened conflict between management and labor, others celebrated them as engines for economic growth and praised their potential as cooperative, even humanitarian, entities. As an MA student at Columbia University, Hoshi studied under professors who argued the latter position. His thesis, "Trusts in the United States: Their Origins and Effects," foreshadowed his company's later obsession with monopolistic control, its emphasis on efficiency coupled with a reliance on data and technical expertise, and its belief in the transformative power of corporations for society and nation. Against the idea of corporations as battlegrounds

between management and labor, Hoshi envisioned corporations as cooperative, organic unities -- led by paternalistic experts -- where the "interests of capital and labor are one." While such notions are frequently ascribed to traditional Japanese social ideologies, Hoshi in fact learned his lessons of management-labor cooperation in New York. As his company developed, it continued to meld supposedly conventional Japanese and American business practices.

The sales and marketing strategies of Hoshi Pharmaceuticals reflected its desire to control market uncertainties. Known as the "Woolworth's of Japan," the company created an American-style network of chain stores across the empire, selling Hoshi-brand patent medicines, hygiene products, and household goods.<sup>5</sup> Its billboard and newspaper advertisements were filled with slogans like "Medicines are Hoshi" (*Kusuri wa Hoshi*) and "Kindness First" (*Shinsetsu daiichi*), celebrating the indispensability of its products for sanitary, cultured living while branding the company as a humanitarian force.<sup>6</sup> Although chain stores and modern advertising helped Hoshi become an emblem for the consumer culture that flourished during the 1920s, they also allowed the company to improve efficiency and control. Through its chain store network, Hoshi sought to control distribution by eliminating middlemen and also the possibility that sellers might not promote its products, since sellers now would be linked directly to the company and its fortunes. Hoshi's marketing campaigns promoted "modern life" based on the

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<sup>5</sup> It is more accurate to describe Hoshi's chain stores as "franchises." Chain stores were not owned by the company itself. Rather, individual merchants applied to the company for licensing as an official supplier of Hoshi Pharmaceuticals' products. See "Chapter 2 -- Selling Civilization: Patent Medicines and Chain Store Networks."

<sup>6</sup> The word "kusuri" can also be translated as "drugs." I have chosen to use "medicines" because "drugs" has a connotation to illegal substances and addiction, which is clearly not the intent of the company's slogan.

consumption of its products, attempting to influence demand, desire, and product use.<sup>7</sup>

Domestic competitors at the time knew Hoshi for its mastery of “American-style management” (*Amerika-shiki keiei*), which enabled it to “lord over” (*kunrin shi*) the pharmaceutical industry.<sup>8</sup>

It was not only how the company sold its medicines, but the fact that it sold medicines that was important. Because medicines purportedly save lives and protect bodies from disease, medical policies became part of the apparatus of state control. From the mid-nineteenth century, Japanese leaders -- like others in nation-states with imperial ambitions -- turned to what they called hygiene (today, public health) to consolidate their rule. At the same time that the government established ministries of Finance, Army, and Foreign Affairs, it also instituted a system of state-licensed medicine and public health measures to inscribe the strength and fitness of Japan as a nation in both a literal and metaphorical “body politic.” This process of wholesale nation-building, which began just after the abolition of feudal rule in 1868, proceeded simultaneously with the project of imperial expansion, first to the Ryūkyūan Islands (Okinawa) and Hokkaidō, and, later, to Taiwan, Korea, and other parts of Asia and the Pacific. Government authorities constructed hospitals, immunized local populations, and advocated hygienic

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<sup>7</sup> There is a very large literature on modern consumer culture. Some of the best include William Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* (New York: Pantheon Books, 1993); Susan Strasser, *Satisfaction Guaranteed: The Making of the American Mass Market* (New York: Pantheon Books, 1989); Victoria de Grazia, *Irresistible Empire: America's Advance Through Twentieth-Century Europe* (Cambridge, MA: Belknap Press of Harvard University, 2005).

<sup>8</sup> Hyaku yonjū-go nen shi hensan iinkai, ed., *Hyaku yonjū-go nen shi: Hisamitsu kabushiki gaisha* (Tosu: Hisamitsu seiyaku kabushiki gaisha, 1992), 130-131; Fujisawa yakuhin kōgyō kabushiki gaisha, ed., *Fujisawa hyakunenshi* (Osaka: Fujisawa yakuhin kōgyō, 1995), 47-48. For a discussion of the adaptation of Taylorism in Japan, see William M. Tsutsui, *Manufacturing Ideology: Scientific Management in Twentieth-Century Japan*.

habits intended to protect people from health hazards, but also to convince subject populations of the benefits of Japanese rule.<sup>9</sup> Boasting of the importance of medicine to Japan's national and imperial goals, Gotō Shinpei famously declared:

Other imperial nations use religion to help them govern; exploiting weaknesses in humanity, they proselytize to unify peoples' minds and rid them of superstition. Because we do not have religion, our nation recognizes that curing diseases is a similar way to unify peoples' hearts and minds. I don't know if our way will bring about results similar to

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<sup>9</sup> The literature in the study of the global history of medicine, particularly in a colonial context, is vast and expanding. Influential works, which represent a range of methodologies, places, and perspectives, include Robert Proctor, *Racial Hygiene: Medicine Under the Nazis* (Cambridge, MA: Harvard University Press, 1988); David Arnold, *Colonizing the Body: State Medicine and Epidemic Disease in Nineteenth-Century India* (Berkeley, CA: University of California Press, 1993); David Arnold, ed., *Imperial Medicine and Indigenous Societies* (Manchester, UK: Manchester University Press, 1988); Mark Harrison, *Public Health in British India: Anglo-Indian Preventive Medicine, 1859-1914* (Cambridge, UK: Cambridge University Press, 1994); Daniel Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century* (Oxford, UK: Oxford University Press, 1981); Philip Curtin, *Death by Migration: Europe's Encounter with the Tropical World in the Nineteenth Century* (Cambridge, UK: Cambridge University Press, 1989); Nancy Tomes, *The Gospel of Germs: Men, Women, and the Microbe in American Life* (Cambridge, MA: Harvard University Press, 1999); Warwick Anderson, *Colonial Pathologies: American Tropical Medicine, Race, and Hygiene in the Philippines* (Durham, NC: Duke University Press, 2006); and Nancy Rose Hunt, *A Colonial Lexicon: Of Birth Ritual, Medicalization, and Mobility in the Congo* (Durham, NC: Duke University Press, 1999).

In the context of Japan and East Asia, representative works include: William Johnston, *The Modern Epidemic: A History of Tuberculosis in Japan* (Cambridge, MA: Harvard University Press, 1995); Bridie Andrews, *The Making of Modern Chinese Medicine* (Cambridge, UK: Cambridge University Press, 2004); Susan Burns, "Constructing the National Body: Public Health and the Nation in Nineteenth-Century Japan," in *Nation Work: Asian Elites and National Identities*, ed. Timothy Brook and Andre Schmid (Ann Arbor, MI: University of Michigan Press, 2000); Carol Benedict, *Bubonic Plague in Nineteenth-Century China* (Stanford, CA: Stanford University Press, 1996); Timothy Brook and Bob Tadashi Wakabayashi, *Opium Regimes: China, Britain, and Japan, 1839-1952* (Berkeley, CA: University of California Press, 2000); Iijima Wataru and Wakamura Kōhei, "Eisei to teikoku: Nichi-Ei shokuminchishugi no hikakushi teki kōsatsu ni kukete," *Nihon shi kenkyū*, 462 (February 2001); Iijima Wataru and Wakamura Kōhei, *Pesuto to kindai Chūgoku* (Tokyo: Kenbun shuppan, 2000); Ann Jannetta, "From Physician to Bureaucrat: The Case of Nagayo Sensai," in *New Directions in the Study of Meiji Japan*, ed. Helen Hardacre (Leiden, Netherlands: Brill, 1997); Sean Hsiang-lin Lei, "When Chinese Medicine Encountered the State: 1910-1949," Ph.D. dissertation, University of Chicago, 1999; Angela Ki Che Leung, *Leprosy in China: A History* (New York: Columbia University Press, 2009); Edward Slack, *Opium, State, and Society: China's Narco-Economy and the Guomindang, 1924-1937* (Honolulu, HI: University of Hawaii Press, 2001); Ruth Rogaski, *Hygienic Modernity: Meanings of Health and Disease in Treaty-Port China* (Berkeley, CA: University of California Press, 2004); Angela Ki Che Leung and Charlotte Furth, eds., *Health and Hygiene in Chinese East Asia: Policies and Publics in the Long Twentieth Century* (Durham, NC: Duke University Press, 2010); Michael Shiyung Liu, *Prescribing Colonization: The Role of Medical Practices and Policies in Japan-Ruled Taiwan, 1895-1945* (Ann Arbor, MI: Association for Asian Studies, Inc., 2009).



other nations that use religion, but I am confident that our method is in no way inferior.<sup>10</sup>

Hoshi Pharmaceuticals actively participated in such medical mythmaking because it profited from it. The company frequently declared that "supplying good medicines is the best propaganda for Japanese civilization" and that "the consumption of medicines is a marker of civilization." Hoshi's close ties with government officials like Gotō Shinpei provided more than ideology: from the start the company benefited from government connections for access to capital, contracts, and, when necessary, legal protection. And of course, the more medicines people purchased and the larger the consumer base, the better the bottom line.

The company's line of "proprietary" or "patent" medicines heavily relied upon the company's chain store network and aggressive marketing. These medicines, known in Japanese as "baiyaku," which literally means medicines to be sold, were similar to the "over-the-counters" sold across the world today because they did not need a prescription to be purchased. Because they depended on the open market, the company needed to create desire, demand, and difference in order to make its medicines stand out from its competition. Hoshi's most popular patent medicine was its ubiquitous Hoshi Stomach Medicine (*Hoshi ichōyaku*). Accounting for almost half of Hoshi's yearly sales, its packaging, which consisted of an iconic red canister overlaid with white letters, was a fixture in many households across the empire. Through medicines like the Hoshi Stomach Medicine, the company became an emblem of a middle-class, hygienic modernity. In the 1910s and 1920s, company advertisements proclaimed it a panacea for stomach aches and pains that was produced according to the latest Western science.

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<sup>10</sup> Quoted in Oda Toshio, *Taiwan iyaku 50-nen* (Tokyo: Igaku shoin, 1974), 51-52.

But during the Second World War -- when Japanese ideologues spoke of creating a pan-Asian empire that would "overcome modernity" of the Western sort -- advertisements celebrated instead its suitability for the "bellies of all rice eaters (*beishoku*)."

The content of the medicine itself was less important than how it was advertised.

Other products also suited imperial purposes. Quinine was one such drug. As the most reliable means for the prevention and treatment of malaria until the mid-twentieth century, quinine was seen by colonial administrators as a tool of "enlightened empire" that would allow Japan to accomplish its civilizing, imperial mission by guarding against the dangers to health in harsh tropical climes, for both colonizer and colonized. Hoshi Pharmaceuticals became Japan's first private supplier of quinine in 1917 when it negotiated a contract to purchase cinchona bark from a Javanese plantation. In the 1930s and 1940s, the company engaged in a quinine self-sufficiency scheme centered on cinchona plantations in Taiwan that "cooperated" with indigenous tribes by providing food and education in exchange for land and labor. Hoshi often celebrated its involvement in the global quinine trade as a contribution to Japan's expanding empire as well as to public health.

But if quinine symbolized the civilizing potential of Japan's empire, then another of Hoshi's primary medicines, morphine, represented what colonial administrators preferred to keep unseen. As an analgesic, morphine was indispensable for modern surgery, and producing it for medical purposes was legal in Japan. But handling the raw material from which it comes, opium, was deemed a public danger because of its connotations of vice, backwardness, and its link to the decline of Qing China. Hoshi's success relied, in large part, on its exclusive contract to import discounted crude

morphine from Taiwan's state-run opium monopoly. Facilitated by Hoshi Hajime's personal connection to Gotō Shinpei, this contract allowed Hoshi to become Japan's sole private supplier of morphine during World War One, when the price of morphine skyrocketed from 6 yen per 25 grams before the war to 46 yen per 25 grams by the war's end.<sup>11</sup> In 1925, the company became entwined in an opium scandal, in which it was caught illegally shipping opium to Russian merchants in Vladivostok. Amid a global movement decrying the social ills of opium addiction, the scandal raised suspicions of Hoshi as a front for a major revenue source for Japan's imperial ambitions -- the smuggling of opium through Manchuria to China. It also began a rapid downward spiral that led the company to the brink of collapse.

Pharmaceutical companies such as Hoshi helped spread the gospel of modern medicine, consumer culture, and the supposed benefits of an increasingly managerial and corporatist society. Whether their medicines were presented as the civilizing promise of a scientific and rational lifestyle or preserved the essence of an enduring Asian culture, they helped to spread a hygienic, proto-middle-class culture that was part and parcel of Japan's national development and imperial expansion. These medicines carried the promise to colonizer and colonized alike to protect their bodies from the dangers of their natural environment as well as the opportunity to take part in the spectacle of modern life. That their production and distribution involved the extraction of resources from the margins of the empire and the domination of foreign lands and peoples was accepted in the pursuit of profit.

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<sup>11</sup> Andō Chūjirō, *Yakuhin sōba tōkei nenkan* (Tokyo: Yakushi nippōsha, 1920), 50-55.

Hoshi Pharmaceuticals was typical of large pharmaceutical companies as well as of businesses in other industries that worked hand-in-hand with the nation and the expanding empire. Competing drug firms like Sankyō and Dai Nippon were major players in the morphine business, and in the 1930s and 1940s, Takeda and Shionogi followed Hoshi's lead in starting cinchona plantations in Taiwan.<sup>12</sup> Throughout the interwar years, cosmetics and household goods companies like Shiseidō and Kaō began ad campaigns emphasizing cosmopolitan culture, instituted "cooperative chain store distribution systems, and sold their products in the colonies."<sup>13</sup> Fujisawa Pharmaceuticals praised Hoshi for helping it obtain footholds in markets abroad, and Hisamitsu credited the origin of its most famous patent medicines to Hoshi.<sup>14</sup> These companies continue to flourish today as leaders in their industries.

In contrast to these stories of success, the story of Hoshi Pharmaceuticals became one of great heights followed by repeated setbacks. The 1925 opium scandal destroyed

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<sup>12</sup> Sankyō kabushiki gaisha, ed., *Sankyō hyaku-nen shi: shiryōhen* (Tokyo: Sankyō kabushiki gaisha, 2000) 52; Dai Nippon seiyaku kabushiki gaisha, ed., *Dai Nippon seiyaku 100-nen shi* (Osaka: Dai Nippon seiyaku kabushiki gaisha, 1998) 29; Takeda yakuhin kōgyō kabushiki gaisha, *Takeda hyaku hachi-jū nen* (Osaka: Takeda yakuhin kōgyō, 1962), 589; Shionogi seiyaku kabushiki gaisha, *Shionogi hyaku nen* (Osaka: Shionogi seiyaku kabushiki gaisha, 1978), 202-203.

<sup>13</sup> Louisa Rubinfein, "Commodity to National Brand: Manufacturers, Merchants, and the Development of the Consumer Market in Interwar Japan," Ph.D. Dissertation, Harvard University, 1995; Wada Hirofumi, *Shiseidō to iu bunka sochi, 1874-1945* (Tokyo: Iwanami shoten, 2011); Kaō kabushiki gaisha, ed., *Kaō, 120-nen: 1890-2010-nen* (Tokyo: Kaō kabushiki gaisha, 2012).

<sup>14</sup> Hisamitsu's official history contains an apocryphal story of the origins of one its most famous early drugs, *Asahi mankinkō*, a salve for bruises and sprains, and its connections to Hoshi Pharmaceuticals. In 1923, Hisamitsu's president, Nakatomi Saburō traveled east to Tokyo and engaged in a contract with Hoshi Pharmaceuticals to buy bulk quantities of *Hoshi mankinkō*. He then sold it repackaged under the name, *Asahi mankinkō* (Hyaku yonjū-go nen shi hensan iinkai, ed., *Hyaku yonjū-go nen shi: Hisamitsu kabushiki gaisha* (Tosu: Hisamitsu seiyaku kabushiki gaisha, 1992), 130-131). According to Fujisawa's official history, it was one of the primary suppliers of raw materials for Hoshi's Stomach Medicine (Fujisawa yakuhin kōgyō kabushiki gaisha, ed., *Fujisawa hyakunenshi* (Osaka: Fujisawa yakuhin kōgyō, 1995), 47-48).

its finances and reputation. The company lost its contract to purchase discounted crude morphine from Taiwan's opium monopoly, its stock plummeted, and wary consumers purchased fewer of its products. Although the company pressed its chain stores to help raise cash and embarked on a series of financial schemes to reduce liability, it defaulted on its debt in 1926, leading major creditors to sue for bankruptcy. In June 1930, a nationally publicized strike broke out at its main factory in western Tokyo after the company laid off workers and failed to pay wages on time. Partly because of its government contacts, Hoshi Pharmaceuticals managed to avoid bankruptcy in the 1930s and continue operating through World War Two. But in the early years of the Allied Occupation of Japan, authorities ordered what amounted to a death sentence to the company: after they discovered the company manufacturing narcotics without permission, Hoshi was prohibited from producing medicines until 1948. When Hoshi Hajime died in 1951, the leadership of the company passed to his son, Hoshi Shin'ichi. Because of financial difficulties -- and partly to escape the shadow of his larger-than-life father -- Shin'ichi sold the company the following year, and began a career in letters, becoming a leading science fiction writer.

In the early interwar years, Hoshi Pharmaceuticals flourished in its attempt to create a cooperative business model to humanize Japan's economic expansion at home and abroad. It embodied the symbiotic relationship between government and business as well as the immersion in globally circulating techniques and trends of successful firms of its era. Hoshi typified “Japanese-style capitalism” in these three aspects: an ideology of labor-management cooperation in the service of nation and empire; close, even dependent, connections with the state; and the aggressive adoption of global,

particularly American, corporate models. Yet all three evolved over time and in particular historical contexts, and when viewed closely, do not seem so peculiarly “Japanese” at all.

Hoshi’s extraordinarily rapid growth -- and the fact that it claimed it sold life-saving medicines – seemed to reinforce its altruistic claims. But Hoshi Pharmaceuticals was built on unsteady, and even questionable, foundations. The outbreak of the opium scandal exposed Hoshi's growth as a result of insider connections, and possibly, illicit trafficking. And its financial fallout laid bare the primary reason for the company's remarkable early success, which now hastened its demise: an overheated debt-financed overexpansion built upon loose accounting schemes. The company's near bankruptcy, in turn, caused a labor strike that demonstrated how "Kindness First" was not always company practice. Although Hoshi declared that it wanted to prove that profit-making enterprises could be melded with humanitarian concerns, it demonstrated that when push came to shove, it operated like any other capitalist corporation in its unrelenting pursuit of profit.

## Chapter 1 -- The Origins of Hoshi Pharmaceuticals

### "Kindness First"

Throughout its history, Hoshi Pharmaceuticals portrayed itself as more than a private drug company. In a 1913 interview in the *Taiwan Daily News* (*Taiwan nichichi shinpō*), Hoshi Hajime declared that because the "spread of good medicines influences the productive power of the nation," the sale of patent medicines served a higher purpose.<sup>1</sup> A 1924 article in the Hoshi Pharmaceutical internal newspaper called for company employees and affiliated chain store managers to become "co-creators" who would determine the "history of the Hoshi kingdom" (*Hoshi ōkoku*) as the driving force in the progress of Japan as a nation, and by extension, the advancement of world society.<sup>2</sup> Through bankruptcy, lawsuits, and labor strikes in the aftermath of the 1925-1926 Opium Scandal, Hoshi Pharmaceuticals continued to promote itself as a visionary company that would help to write history.

The company argued that this vision was expressed in its mantra, "Kindness First" (*Shinsetsu daiichi*). Emblazoned on billboards, product labels, and advertising leaflets in the 1910s and 1920s, "Kindness First" represented the company's goal of "showing the world the possibility of combining profit-making enterprise and social welfare."<sup>3</sup> To consumers, "Kindness First" symbolized "customer-knows-best" and trust in the

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<sup>1</sup> "Bunmeikoku to baiyaku: Hoshi seiyaku shachō dan," *Taiwan nichichi shinpō*, May 29, 1913.

<sup>2</sup> Kobayashi Jyōsaburō, "Hoshi ōkoku rekishi no kyōsakusha ni," *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1923.

<sup>3</sup> *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 5.

products. For the company's employees, "Kindness First" was a prescription that guided every workplace interaction and also, the management hoped, filtered into their everyday lives. At its main factory in Tokyo, the company even set up a "Kindness First Shrine" (*Shinsetsu daiichi inari jinja*) as a place of worship!<sup>4</sup>

According to the "Principles of Hoshi Pharmaceuticals," which were often printed at the beginning or end of the company newspaper and press releases, "Kindness First," had three interrelated components: "cooperation" (*kyōryoku*), a "spirit of self-reliance" (*jichi no seishin*), and "science" (*kagaku*). "Cooperation," meant all employees working together toward a common goal, from Hoshi Hajime to managers, salesmen, and investors to the lowest level factory worker. Employees would educate, train, and challenge one another to improve their skills and to become more efficient, benefitting both the company and themselves. "Cooperation" would overcome such weaknesses as jealousy, envy, and discontent, which needed to be avoided -- or at least contained -- for the benefit of the whole.<sup>5</sup>

The idea of "cooperation" was based on the development of the individual's "spirit of self-reliance" (*jichi no seishin*) -- an ethos of achievement defined by diligence, responsibility, and self-interest. Hoshi Pharmaceuticals wanted each employee to pour all energy into achieving his goals and also into constantly setting new ones. It was the duty of each individual worker to strive to improve himself; progress and innovation would have no limits, and each worker was to be so fully engaged in his duties that he would "become one with his work." "*Jichi no seishin*" meant everything from

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<sup>4</sup> Ibid.

<sup>5</sup> "Hoshi seiyaku kabushiki gaisha no honryō," in Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1929), 1.



maintaining good habits such as waking up early to refraining from alcohol, paying attention to one's health, and having good manners and etiquette. Scrupulous attention to rules and to group discipline was assumed.<sup>6</sup>

"Cooperation" and the "spirit of self-reliance" worked hand-in-hand with the unimpeachable laws of science (*kagaku*). Being "scientific" required an adherence to Darwinian principles of a competitive society, which was "the basic instinct of humankind that promotes the efficiency of communal life (*jinseidō seikatsu*), and is the basis of happiness and well-being."<sup>7</sup> It also involved faithfulness to deep empiricism, an emphasis on new discoveries, as well as a "reliance on academic experts" like chemists, psychologists, natural scientists, and pharmacologists who advised and lectured employees.<sup>8</sup> The company was "built upon hard work with science as the foundation" (*kagaku o kiso to shitaru*), as well as "a respect for science."<sup>9</sup>

Hoshi Pharmaceuticals' motto, "Kindness First," conceived of the modern corporation as a harmonious, utopian entity: led by the paternalistic goodwill of managerial experts, capital and labor were not in conflict, but worked together for the common benefit of humanity. In a sense, the company cultivated what Max Weber -- who was writing on the rationalization of modern, capitalist society at roughly the same time as Hoshi's rapid growth in the early twentieth century -- might call the "spirit of capitalism," with a "faithfulness to science" (*kagaku no chūjitsu*) taking the place of

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid, 2.

<sup>9</sup> Ibid, 1; Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 2.

religion.<sup>10</sup> Through principles like "Kindness First," "cooperation," and a "spirit of self-reliance," Hoshi Pharmaceuticals envisioned a humanitarian form of capitalism that melded profitmaking with altruistic concerns -- a capitalism, in other words, without the social effects of competition.

Hoshi's formula for humanitarian capitalism was, at base, a contradiction: it called for capitalism to be stripped of the process that defined it -- mutually exclusive, self-interested individuals competing against one another for individual gain. The company simultaneously confirmed and celebrated competitive individuals who worked for their own interest, while it recognized the dangers of capitalism unhinged. To the invisible hand that structured market forces, Hoshi proclaimed that it intended to lend a benevolent hand.

According to a 1923 article in the *Tōyō keizai shinpō* (*The Oriental Economist*):

Hoshi Pharmaceuticals is not a company of stockholders, nor is it a company of employees, but simply the company of Hoshi Hajime, the president. In order to understand the substance (*naiyō*) of Hoshi Pharmaceuticals, one first has to understand Hoshi Hajime, the individual.<sup>11</sup>

Hoshi Hajime was a product of his times: a modernizing Meiji Japan and the Progressive Era of the United States.<sup>12</sup> The corporate ideology he developed for his future pharmaceutical company derived, in large part, from his formative years at the end of the

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<sup>10</sup> See Max Weber, *Economy and Society: An Outline of Interpretative Sociology*, edited by Guenther Roth and Claus Wittich (Berkeley, CA: University of California Press, 1978) and, of course, Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, translated and updated by Stephen Kalberg (Oxford, UK: Oxford University Press, 2011).

<sup>11</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923. The *Tōyō keizai shinpō* was equivalent to *The Economist* in Japan in its day.

<sup>12</sup> Alan Trachtenberg, *The Incorporation of America: Culture and Society in the Gilded Age* (New York: Hill and Wang, 1982), 4.

nineteenth century, first as an elite rural youth in a modernizing Japan, and then as a student in a United States that was undergoing what Alan Trachtenberg called the "incorporation of America" -- when the growth and consolidation of big business permeated everyday life. Hoshi's story embodied the turn-of-the-century circulation of various ideas concerning the nature of capitalism and the relationship between businesses, state, and society.

Hoshi's story typified the experiences of an elite, Meiji youth who traveled abroad and back as preparation for great success. But like all success stories, Hoshi's success was atypical; much of his success was due to the extraordinary personal connections Hoshi had made along the way. During his time in America, Hoshi befriended some of the leading figures in Japanese politics, business, and society. Hoshi Hajime constructed himself -- and, by extension, his company -- using such connections.

### *Hoshi Hajime's Early Life and the Folklore of the Self-Made Man*

As a major public figure in Japan in the first half of the twentieth century, Hoshi Hajime's early life story is well known. Company publications and transcripts of company events frequently alluded to Hoshi's cosmopolitan background and his personal history of hard work and sacrifice. In 1924, Kyōtani Daisuke published a work titled *Hoshi and Ford*, which compared Hoshi Hajime and his company to Henry Ford and Ford Motors.<sup>13</sup> In 1949, only two years before Hoshi's death, Ōyama Keisuke published the definitive biography of Hoshi, entitled *A Worldly Man of Hard Work and Conviction:*

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<sup>13</sup> Kyōtani Daisuke, *Hoshi to Foodo* (Tokyo: Koseikaku, 1924).

*A Critical Biography of Hoshi Hajime*.<sup>14</sup> Hoshi's early exploits turned into legend with the publication of his son Shin'ichi's *The Meiji Era, My Father, and America*, his second work of non-fiction about his father, which relied on the previous biographies to fill in the gaps of his own recollections.<sup>15</sup> Although Saishō Hazuki's magisterial biography of Hoshi Shin'ichi, *Hoshi Shin'ichi: The Creator of 1001 Tales*, has added a more scholarly angle to the story through interviews and anecdotes from people associated with Hoshi Hajime, it cemented Hoshi Hajime's legend by relying upon previous narrative frameworks.<sup>16</sup>

In many ways, Hoshi Hajime's early life follows a familiar script: the archetypal story of an ambitious, elite youth who grew up in a tumultuous era marked by the establishment of a constitutional government, the influx of Western ideas, and rapid industrialization -- along with the political and socio-economic dislocations accompanying these changes. This was a generation immersed in *risshin shusse* -- the goal of "rising in the world" through competitive achievement based on education for success (*seikō*).<sup>17</sup> Although state bureaucrats and ideologues began articulating this ethos with the 1872 Education Act, which established compulsory schooling, its effectiveness and mass appeal derived from popular works like Fukuzawa Yukichi's *An*

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<sup>14</sup> Ōyama Keisuke, *Dōryoku to shinnen no sekai jin: Hoshi Hajime hyōden* (Tokyo: Kyōwa shobō, [1949] revised 1997).

<sup>15</sup> Hoshi Shin'ichi, *Meiji, Chichi, Amerika* (Tokyo: Shinchōsha, [1975] revised 2007).

<sup>16</sup> Saishō Hazuki, *Hoshi Shin'ichi: 1001 hanashi wo tsukutta hito* (Tokyo: Shinchōsha, 2007). Limited by a lack of sources on his early life, I probably fall into the same trap. But what I am primarily concerned with here is the narrative structure of Hoshi's life story and how it fits into other turn-of-the-century pro-capitalist stories of hard work and diligence.

<sup>17</sup> Earl H. Kinmonth, *The Self-Made Man in Meiji Japanese Thought: From Samurai to Salary Man* (Berkeley: University of California Press, 1981), 2.

*Encouragement of Learning (Gakumon no susume)* and Nakamura Masanao's *Success Stories of the West (Saikoku risshin hen)*, a best-selling translation of Samuel Smiles' *Self-Help*.<sup>18</sup> Early formulations of "rising up in the world" often meant achieving fame and fortune through public office and other civic-minded occupations, but by the 1890s, there was a much higher emphasis on material success.<sup>19</sup>

Hoshi grew up in a wealthy, upwardly mobile rural household during the Meiji era (1868-1912).<sup>20</sup> Born in 1873 in the hamlet of Nishiki of Iwaki Township in Fukushima Prefecture, Hoshi was the eldest son of Kisanta, a man who had become wealthy as a sericulturist, and served as the village head and representative on the Iwaki town committee during Hoshi's formative years.<sup>21</sup> Hoshi's household was affluent (at least three or four servants were on hand at any given time), and his father was his most important early influence.<sup>22</sup>

Hoshi's father was a member of the rural entrepreneurial elite known as "local notables" (*chihō meibōka*). Occupying the top stratum of local society, they were often involved in Japan's leading commercial enterprises of the times such as soy sauce, saké, and silk manufacturing, which the government actively encouraged in the 1870s as side-employments" (*fukugyō*) in addition to tending their own land. As civic-minded

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<sup>18</sup> For a discussion of the influence of these works, see Kinmonth, 10-20; Carol Gluck, *Japan's Modern Myths: Ideology in the Late Meiji Period* (Princeton, NJ: Princeton University Press, 1985), 257.

<sup>19</sup> Gluck, 206-208; Kinmonth, 153-205.

<sup>20</sup> Hoshi Shin'ichi, 35-35; Ōyama, 16-17.

<sup>21</sup> Hoshi Shin'ichi, 35; Ōyama, 16-17.

<sup>22</sup> Hajime's original given name was Sakichi, which was his father's given name. Ōyama, 11-17, Hoshi Shin'ichi 17.

"farmers in frock coats," they occupied positions in their village or prefectural governments and directed local infrastructure projects. Many saw themselves as engines of change in the developing nation-state -- in the first National Diet election in 1890, they occupied as much as two-thirds of the Lower House.<sup>23</sup>

Like other members of his class, Hoshi's father was ambitious, pragmatic, forward-looking, and perhaps, above all, materialistic. As the second son of a wealthy farmer who would not, according to custom, inherit his family's property, Hoshi's father became a *mukoyoshi* -- a son-in-law who assumes his wife's family name. He had assumed the Hoshi name by marrying into a peasant family of similar standing and taking the name of the deceased head of household. The Hoshi family was the second one he had married into; his father had run away from a previous marriage -- and disowned a son and daughter in the process -- after his first wife's sudden death had prevented him from becoming the head of the household.<sup>24</sup>

Hoshi's father imparted similar characteristics of materialism, ambition, and nation-mindedness into his son. He viewed education as the primary vehicle for social and economic advancement and also envisioned that his son would play a vital role in the making of the nation: he was said to have made his son memorize the Imperial Rescript on the Establishment of the Diet in the second or third year of primary school.<sup>25</sup> When Hoshi turned nineteen, his father urged him to give up his given name, Sakichi, in favor of the name Hajime to facilitate his son's future in politics and industry: Hajime, which is

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<sup>23</sup> Gluck, 68-69, 162.

<sup>24</sup> Hoshi Shin'ichi, 11-12.

<sup>25</sup> Ōyama, 18-19; Saishō, 25; Hoshi Shin'ichi, 29-30.

written in one stroke, was not only easier to remember and write, but it also represented the "first" and the "best."<sup>26</sup>

A recurring trope in stories of self-made Meiji men was the protagonist's life-changing encounter with Tokyo, the center of political and socio-economic change. There the young man encountered new ideas and people, which would further pique his ambitions. At the age of seventeen, Hoshi left his job as a rural primary school teacher for Tokyo, where he enrolled in nighttime classes at Tokyo Commercial School (*Tokyo shōgyō gakkō*), and spent four years studying.<sup>27</sup>

According to Hoshi's early biographers, the Tokyo Commercial School was the predecessor to the present-day Hitotsubashi University, one of Japan's leading universities. Mori Arinori (1847-1889), a statesman who later became the first minister of education, founded the school as the Commercial Training Institute (*Shōhō kōshujo*) in 1875, with a goal to train the nation's leading businessmen. But in his son Shin'ichi's retelling, this school was not the predecessor to Hitotsubashi, but an "unprivileged" institution by comparison, which attracted Hoshi because the tuition was relatively cheap and because students could rub elbows with politicians, public intellectuals, and leading professors from Tokyo Imperial University and *Tokyo senmon gakkō* (the predecessor to Waseda University) who taught there part-time.<sup>28</sup> Whether the school was actually Hitotsubashi or not, it is clear it was still an elite institution that offered professional training for business-centric careers. Its required coursework included business history,

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<sup>26</sup> Hoshi Shin'ichi, 82.

<sup>27</sup> Ōyama, 22-24.

<sup>28</sup> Hoshi Shin'ichi, 57-59; 69-70. Shin'ichi implied that Hoshi could not afford to attend other more illustrious choices like Tokyo Imperial University, *Tokyo senmon gakkō*, or Fukuzawa Yukichi's *Keio gijuku* (the predecessor to Keio University).

economic history, commercial geography (*shōgyō chiri*), statistics, as well as courses in English conversation and composition.<sup>29</sup> Its faculty included luminaries such as Takahashi Kenzō (1855-1898), the Chief Cabinet Secretary of Prime Minister Matsukata Masayoshi's cabinet in 1896, the economist Wadagaki Kenzō (1860-1919), the chemical engineer Shimomura Kōtarō (1861-1937), and a future Governor-General of Taiwan, Uchida Kakichi (1866-1933).<sup>30</sup>

Takahashi Kenzō, the principal of the school, became one of Hoshi's mentors.<sup>31</sup> He introduced Hoshi to Nakamura Masanao's translation of Samuel Smiles, which became for Hoshi, as for many aspiring youth of his generation, his bible for achieving success.<sup>32</sup> But perhaps more important, he encouraged Hoshi to study in the United States, and helped him with a letter of introduction to the San Francisco consul general, Chinda Sutemi.<sup>33</sup> Takahashi later became the editor-in-chief of the *Osaka mainichi shinbun*. He was the role model for Hoshi's early career in New York as an editor of *Japan and America*, a bilingual journal that aimed to foster Japanese-American relations.<sup>34</sup> After graduating from Tokyo Commercial School in 1894, and before leaving for America, Hoshi embarked on a journey to Western Japan to pay respects to Takahashi and seek his advice. Takahashi urged him to be ambitious and to first learn

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<sup>29</sup> Ibid., 59.

<sup>30</sup> Ibid., 56-60.

<sup>31</sup> Ibid., 70-74.

<sup>32</sup> Ibid.

<sup>33</sup> Ōyama, 23; Hoshi Shin'ichi, 113.

<sup>34</sup> Ōyama, 33-35.



all he could about his own nation because Hoshi would serve as its representative abroad.<sup>35</sup>

At a time when Japanese elites looked to the West for ideas about how to build a nation, study abroad was a prerequisite for advancement in the new government and in the developing economic sector. To emphasize his father's humble beginnings, Shin'ichi described how his father chose the United States because of his class background: while study in Europe was expensive and limited to a select few who had either independent means or government fellowships because they were earmarked for ministerial service, America was where sons of peasants, shop clerks, and people of lesser means could work their way through school. For wealthy, rural youth like Hoshi who fell outside -- yet strove to become part of -- Tokyo's political and economic elite, America represented a meritocracy free of old-world, aristocratic customs.<sup>36</sup> Statistics concerning the destinations of overseas Japanese students seem to bear out Shin'ichi's claims: from 1894 through 1901, out of 4,712 total passports issued for overseas study, the percentage issued for study in the United States was 54.8%, which far surpassed any other country.<sup>37</sup> In 1894, out of 15 government-sponsored students, 7 went to Germany, 3 studied in England, and none went to the United States; in 1895, out of 9 such students, 7 studied in

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<sup>35</sup> Hoshi Shin'ichi, 101.

<sup>36</sup> Hoshi Shin'ichi, 80; Kinmonth, 191.

<sup>37</sup> Other popular choices included Germany, which was 4.8%; England was 3.4%; and China was 9.8%. The total number of students who studied overseas was very small, increasing from 289 in 1894 to 981 by 1901. See James T. Conte, "Overseas Study in the Meiji Period: Japanese Students in America, 1867-1902," (Ph.D. dissertation, Princeton University, 1977), 27.

Germany, and none went to either England or the United States.<sup>38</sup> A larger swath of the Japanese male population had the potential to study in the United States.

The notion of crossing the Pacific to study in America (*tō-Bei*) was said to have first entered Hoshi's mind when he was a primary school teacher in the 1880s.<sup>39</sup> In the 1870s, Japan's education system used textbooks that were direct translations of American schoolbooks.<sup>40</sup> The apocryphal parables from these textbooks -- of honesty, hard work, and individual responsibility as exemplified in the story of George Washington and the cherry tree -- supposedly touched Hoshi's heart and made him yearn to travel to America.<sup>41</sup>

After arriving in the United States, men like Hoshi typically had to scrape and save to survive. The stereotypical job was that a "school boy," who served as manservant in wealthy households in order to earn tuition and living expenses. At the age of twenty-one, Hoshi arrived in San Francisco in October 1894, after a three-week journey across the Pacific from Yokohama.<sup>42</sup> In his pockets were roughly three hundred yen of his father's money, plus additional funds from villagers who had raised money for

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<sup>38</sup> Ibid, 36. The growing emphasis on Germany likely reflected the increased interest in German science and medicine at the time.

<sup>39</sup> Ōyama, 20-21; Hoshi Shin'ichi, 40-41. At the age of twelve, Hoshi's father enrolled him in a newly established training school for schoolteachers; he subsequently graduated after six months.

<sup>40</sup> Hoshi Shin'ichi, 42; also see Benjamin C. Duke, *The History of Modern Japanese Education: Constructing the National School System, 1872-1890* (Rutgers, NJ: Rutgers University Press, 2008), 5-6, 66-71; Marius Jansen, *The Making of Modern Japan* (Cambridge, MA: Harvard University Press, 2002), 402-411; Richard Sims, *French Policy Towards the Bakufu and Meiji Japan, 1854-1895* (Richmond, UK: Japan Library, 1998), 259-262.

<sup>41</sup> Ōyama, 21; Hoshi Shin'ichi, 42-43.

<sup>42</sup> Hoshi Shin'ichi 115; 122.

his journey.<sup>43</sup> Hoshi first lived in a Christian boarding house called the *Fukuin-kai*, which catered to Japanese youth, with about twenty others, and worked assorted chores for various families while studying English in his off time. Hoshi's first school was an elementary school where he enrolled as a fourth grader, but his goal was to enroll in a university on the east coast.<sup>44</sup> He ultimately decided upon Columbia University in New York after perusing a brochure about famous universities on the east coast.<sup>45</sup> Hoshi set off for New York in May of 1896, and he first lived in a boarding house of a Japanese church in Brooklyn, working a number of jobs including a stint as a pageboy for the *New York Herald* and a peddler of lace handicrafts on the street.<sup>47</sup> His goal was to save up enough money for tuition at Columbia, which was one hundred and fifty dollars. After promising to pay half this amount up front, with the remainder to be paid on a monthly basis, Hoshi enrolled in the School of Political Science at Columbia in the Fall of 1897, while continuing to take part-time jobs to make ends meet.<sup>48</sup>

Nowhere were the ideals of striving and achievement more prevalent than in the United States in the years following the Civil War, when victory seemed to the North to represent the triumph of industry over agriculture as well as meritocracy over social connections. A pro-business era of *laissez-faire* capitalism and Social Darwinism, it was a time and place where Horatio Alger's "rags to riches" stories of self-styled success

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<sup>43</sup> Ibid., 101; 122-124.

<sup>44</sup> Ōyama, 44-55; Hoshi Shin'ichi, 151.

<sup>45</sup> Hoshi Shin'ichi, 151.

<sup>47</sup> Ibid., 153, 156, 158, 163.

<sup>48</sup> Hoshi Shin'ichi, 167, 172-191; Ōyama, 72. Hoshi stated that he negotiated his way into admission at Columbia. Entrance to the School of Political Science did not require a test. See *Columbia University Catalogue*, 1897-1898 (New York: Columbia 1897), 16-17.

corresponded with real-life examples in Andrew Carnegie, John D. Rockefeller, Cornelius Vanderbilt, and other "captains of industry." Stories of such men were translated abroad, and reached Japan at the turn of the twentieth century.<sup>49</sup> Through their hard work and effort, they had risen from humble beginnings to create vast business empires that dominated their respective industries and shaped the economic growth and direction of the United States. Their successes were presented as having resulted from superior ability and individual will; they were able to rise from humble beginnings to positions of wealth and power while those who remained poor did so because of lack of application. Their collective pursuit of individual self-interest benefited the overall progress and growth of society. If ambitious Japanese youth viewed America as the place where self-help actually worked, then "rising in the world" meant nothing more than mastering the harsh laws of a competitive market economy.

Although many of the recorded details of his early life are hagiographic, Hoshi's early life typified the Japanese model of capitalist success in the first decades of the twentieth century: ambitious, elite youth who used education -- and particularly, education abroad -- as his ladder for success. It was a model tied to its particular historical times. In contrast to the first generation of entrepreneurs in Japan such as Shibusawa Eiichi (1840-1931), the "father of Japanese capitalism," or Iwasaki Yatarō (1835-1885), the founder of Mitsubishi, Hoshi did not come from a samurai family that had converted its social capital into industrial capital in the early years after the end of feudal rule in 1868.<sup>50</sup> Hoshi grew up during the construction of Japan as a modern

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<sup>49</sup> Kinmonth, 188-191.

<sup>50</sup> Yasuzō Horie, "Modern Entrepreneurship in Meiji Japan," in *The State and Economic Enterprise in Japan: Essays in the Political and Economy of Growth*, edited by William W. Lockwood (Princeton,

nation-state, and believed, like other elite, rural youth of the time, that he had a part to play in redefining both himself and his nation. For men like Hoshi, study abroad, especially in the United States, was a means to an end.

### *Hoshi and the Lessons of Progressivism in the U.S.*

From 1897 to 1901, Hoshi was enrolled in the School of Political Science at Columbia University.<sup>51</sup> At the time, Columbia was rapidly expanding its emphasis on graduate education. Like other major universities in the United States including Johns Hopkins and Harvard, Columbia was becoming a doctorate granting research university with well-defined disciplines. Led by well-known scholars such as Richmond Mayo-Smith, Edwin R.A. Seligman, John Burgess, Franklin Giddings, and John Bates Clark,

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NJ: Princeton University Press, 1965); Kozo Yamamura, "The Founding of Mitsubishi: A Case Study in Japanese Business History," in *The Business History Review*, vol. 41, no. 2 (Summer, 1967), 141-160; Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan* (Cambridge, MA: Harvard University Press, 1964); Johannes Hirschmeier and Tsunehiko Yui, *The Development of Japanese Business, 1600-1973* (Cambridge, MA: Harvard University Press, 1975); Shibusawa Eiichi, *The Autobiography of Shibusawa Eiichi: from Peasant to Entrepreneur*, translated, with an introduction and notes, by Teruko Craig (Tokyo: University of Tokyo Press, 1994).

<sup>51</sup> Although Hoshi's transcript is unavailable, his biographer writes that it included classes in statistics, sociology, history, economics, and politics. Registrar's Office records confirm Hoshi's enrollment. According to the Registrar, his name was listed as Hashi, Hajime from Tokyo, Japan. The Columbia University Catalogue also lists Hoshi for the following years: 1897-1898 -- "Hashi, Hajime, Iwaki, Japan, European History" (283); 1898-1899 -- "Hashi, Hagime, Tokio, Japan, Sociology and Statistics" (336); 1899-1900 -- "Hashi, Hajime, Tokyo, Japan, Tokyo Shogyo College, Japan, 1895, Political Economy and Finance, Political History" (345); 1900-1901 -- "Hashi, Hajime, Japan, Tokio College, Japan, 1896, Political Economy and Finance, Sociology and Statistics, American History" (358). *Columbia University Catalogue*, 1897-1898; 1898-1900; 1900-1901 (New York: Columbia 1897, 1898, 1899).

the School of Political Science was at the forefront of this change. These men helped to define the social sciences in the United States at the turn of the twentieth century.<sup>52</sup>

These men also helped shape Hoshi Pharmaceuticals' corporate mantra of "Kindness First." Hoshi Hajime was well-regarded by these professors for his diligent study, but became especially close to two of them, the statistics expert, Richmond Mayo-Smith (1854-1901), and the finance scholar, Edwin Robert Anderson Seligman (1861-1939).<sup>53</sup> In the words of Ōyama Keisuke, the knowledge Hoshi gained from these two scholars "became the driving force behind his company's extraordinary successes."<sup>54</sup> As idealistic elites who saw themselves as bearing the responsibility to improve and protect society's core values, these scholars shared a belief in capitalism, combined with critical views of its harmful social effects. Under their direction, Hoshi became immersed in social problems caused by the corporate reconstruction of American capitalism, and learned potential ways to ameliorate their harmful effects. These lessons resonated with his future company's ideology that corporations could be the driving forces of social progress as both profit-making enterprises and social benefactors, and its emphasis on basing every action on the principles of science.

By the time Hoshi arrived in the United States in 1894, the era of heroic industrialists was undergoing a reappraisal. Critics argued that the period of rapid industrial growth and unfettered competition, which had seemingly brought power,

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<sup>52</sup> The School of Political Science was the predecessor of the Departments of History, Sociology, Economics, Anthropology, Mathematical Statistics, and Public Law and Government (later, Political Science). R. Gordon Hoxie, *A History of the Faculty of Political Science, Columbia University* (New York: Columbia University Press, 1955).

<sup>53</sup> Ōyama, 81.

<sup>54</sup> Ibid.

prosperity, and prestige to the United States, was really a "Gilded Age" that papered over shoddy and substandard social foundations. Hoshi encountered the voices of the Progressive Era, who ranged from muckrakers, and agrarian populists, to temperance movements and scientists of eugenics.<sup>55</sup>

What the voices calling for change had in common was their response to the rise of the new form of capitalist development that had made this rapid industrialization possible: the large-scale private corporation, often referred to as a trust.<sup>56</sup> The increasing dominance of the economy by corporations was known as the "trust problem." In the early to mid-nineteenth century, the U.S. government had bestowed charters of incorporation for developing infrastructure such as railroad lines, harbors, canals, educational institutions, and communication networks -- in the name of promoting growth and the expansion of trade. Corporate charters were privileges granted by special acts of legislatures, and most corporations were either public or jointly owned enterprises operating with both government and private funds.<sup>57</sup>

Corporations had two advantages that helped them become the dominant organizational structure in the economy from the latter half of the nineteenth century. First, they were structured as a form of "socialized property" that spread ownership to groups of individuals.<sup>58</sup> This perpetuated wealth beyond individual lifespans; spread responsibility -- and hence, risk -- across a group; and, most important, led to huge

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<sup>55</sup> Richard Hofstadter, *The Age of Reform: From Bryan to F.D.R.* (New York: Knopf, 1955), 5.

<sup>56</sup> "Trust," "monopoly," and "corporation" were often used interchangeably at the time. Thomas Cochran, *The American Business System* (Cambridge, MA: Harvard University Press, 1957), 51.

<sup>57</sup> Trachtenberg, 5-7; William G. Roy, *Socializing Capital: the Rise of the Large Industrial Corporation in America* (Princeton, NJ: Princeton University Press, 1997), 46-51.

<sup>58</sup> Roy, 10.

aggregations of capital controlled by a handful of directors that were to act in the best interests of a plurality of owners.<sup>59</sup> Second, in order to create incentives for attracting private investment, charters of incorporation often granted monopolistic rights and privileges such as tax-exemptions and eminent domain to avoid competition as well as a "sovereign-like" ability to enforce their own laws.<sup>60</sup>

In the Progressive Era, these very advantages led to vehement critiques. Beneath the heroic and individualistic ideology of industrialists, the driving force of American capitalism was actually an organization criticized by many as antithetical to the nation's individualistic and competitive ethos. Critics claimed that corporations, due to their size, influence, and special privileges, harmed individuals and were ruinous to the proper functioning of the "invisible hand" -- a common metaphor for the sanctity of the individual in a market economy and a representative democracy, in which the actions of self-interested individuals end up benefiting society as a whole. To them, industrial combines, like Standard Oil, Carnegie Steel, and the Union Pacific Railroad, which dominated their respective industries and had the ability to influence other ones, subverted the laws of supply and demand by setting prices at will and by limiting competition. For many critics, such corporate consolidations led to pitched conflicts between management and labor, exemplified by increasing unionization, nationally publicized strikes, soldiering, and work stoppages.<sup>61</sup> The Progressive Era, in this sense,

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<sup>59</sup> Trachtenberg, 4.

<sup>60</sup> Roy, 45-50.

<sup>61</sup> Andrea Tone, *The Business of Benevolence: Industrial Paternalism in Progressive America* (Ithaca, NY: Cornell University Press, 1997), 7.



was a referendum on the *laissez-faire* ideology of classical liberalism that had undergirded the post-Civil War era, with the corporation as the prime target.<sup>62</sup>

But Progressive Era reforms such as the 1890 Sherman Antitrust Act did not stop the growth and development of corporations; rather, they helped them evolve to meet the needs of American capitalism, which demanded "stability, predictability, and security" to ensure long-term profits.<sup>63</sup> From 1895 to 1904, for example, 157 holding companies absorbed more than 1,800 existing firms and controlled more than 40 percent of the market. By 1904, two-fifths of the nation's manufacturing was concentrated in about three hundred firms.<sup>64</sup>

The education that Hoshi received at Columbia was "progressive" in this sense. Although Hoshi's advisors -- in their teaching, scholarship, and public participation -- were committed to reforming the deleterious effects of the Gilded Age of unbridled competition, they still believed in the fundamentals of capitalism, which they conveyed to Hoshi. They also embodied another manifestation of progressivism: the professional autonomy of occupations and their increasing rationalization. In academia, this meant the establishment of professional associations and formal disciplines like sociology and economics, based upon foundational texts that constituted recognized canons of

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<sup>62</sup> For more on the Progressive Era, see Hofstadter; Robert H. Wiebe, *The Search for Order, 1877-1920* (New York: Hill and Wang, 1966); Gabriel Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916* (New York: Free Press, 1977).

<sup>63</sup> See, for example, William Lazonick, 1991; Louis Galambos and Joseph Pratt, *The Rise of the Corporate Commonwealth: U.S. Business and Public Policy in the Twentieth Century* (New York: Basic Books, Inc., 1988); and especially, Louis Galambos, "The Emerging Organizational Synthesis in Modern American History," in *The Business History Review*, vol. 44, no. 3 (Autumn, 1970), 279-290.

<sup>64</sup> W. Lawrence Neuman, "Negotiated Meanings and State Transformation: The Trust Issue in the Progressive Era," *Social Problems* vol. 45, no. 3 (Aug., 1998), 321; Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916: The Market, the Law and Politics* (Cambridge, UK: Cambridge University Press, 1988).

knowledge. The professionalization of academic experts was part and parcel of the technocracy movement in the United States.<sup>65</sup>

At Columbia, Richmond Mayo-Smith was Hoshi's primary advisor and his greatest influence. Mayo-Smith was one of the founders of sociology in the United States, which he regarded as a utilitarian discipline explicitly for the reform of social problems, and he was also the leading American statistician of his time.<sup>66</sup> In the late-1870s, Mayo-Smith studied political economy for two years at the University of Heidelberg and the University of Berlin, and like many scholars of his time, was influenced by German social ideas.<sup>67</sup> In 1887, he became a full professor of political economy and social science at Columbia.<sup>68</sup> Like other publicly engaged intellectuals, Mayo-Smith was part of an elite social milieu that connected the social sciences to philanthropic causes and concerns like the Charity Organization Society of New York.<sup>69</sup>

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<sup>65</sup> For more on the technocracy movement in the United States, see William E. Akin, *Technocracy and the American Dream: The Technocrat Movement, 1900-1941* (Berkeley, CA: University of California Press, 1977).

<sup>66</sup> Franek Rozwadowski, "From Recitation Room to Research Seminar: Political Economy at Columbia University," in *Economists and Higher Learning in the Nineteenth Century*, edited and with a new introduction by William J. Barber (New Brunswick, New Jersey: Transaction Publishers, 1993), 194.

<sup>67</sup> See Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, MA: Harvard University Press, 1998).

<sup>68</sup> Mayo-Smith was first hired as an assistant to the political scientist John Burgess (1844-1931) upon his return to the United States in 1877. He had studied under Burgess as an undergraduate at Amherst.

<sup>69</sup> See Stephen P. Turner, "The World of the Academic Quantifiers: The Columbia University Family and its Connections," in *The Classical Tradition in Sociology: The American Tradition, Volume 1*, edited by Jeffrey Alexander et al. (London: Sage Publications, 1997), 142-161.

He was also active in scholarly associations such as the American Statistical Association, the American Economic Association, and the Century Association.<sup>70</sup>

Hoshi Pharmaceuticals' professed fidelity to the laws of science was influenced, in part, by classes Hoshi Hajime took with Mayo-Smith, who advocated the importance of empirical data in reflecting social realities, and promoted tools such as censuses to solve the prevailing social problems of the day.<sup>71</sup> Hoshi likely absorbed these ideas through two introductory classes, based on Mayo-Smith's foundational sociology textbooks, *Science of Statistics Part I: Statistics and Sociology* and *Science of Statistics Part II: Statistics and Economics*.<sup>72</sup>

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<sup>70</sup> Ibid., 146-147.

<sup>71</sup> Mayo-Smith schooled Hoshi in the major theories of classical political economy and its application to everyday problems. As a masters' student, Hoshi was required to take the four-part course on "Practical Political Economy." The first section was "Problems of Modern Industry," which was "devoted to a special study of the modern industrial organization and of the application of economic principles to social life," including "economic freedom and private property; the growth of capital; forms of productive enterprise; the concentration of industry; monopolies and trusts; governmental enterprise," and the "effects of modern methods of production on producer and consumer." The second section was "The Problems of Exchange: Money and Trade," which involved the "study of the mechanisms of exchange with special reference to modern currency and commercial questions," and included topics such as "Value and prices, speculation, law of monopoly prices, commercial crises" and "money, bimetallism, the silver question in the United States" and "international exchange, transportation and commerce." The third section was titled, "The Problems of Distribution: Labor and Capital," which was devoted to conflicts between labor and management, and included topics such as "theory of distribution, history and present condition of the laboring class, wages, trade unions and strikes, arbitration and conciliation, co-operation and profit-sharing; factory laws, employer's liability; interest, profit and rent; social distribution; distributive justice." The final section in this series was a special seminar devoted to the classical economist Alfred Marshall's *Principles of Economics*, whose work was especially important to Hoshi (*Announcement: 1898-1899*, 30-31).

<sup>72</sup> The classes were "Statistics and Sociology," and "Statistics and Economics," which based upon the following textbooks: Richmond Mayo-Smith, *Science of Statistics Part I: Statistics and Sociology* (New York: Macmillan, 1895) and Richmond Mayo-Smith, *Science of Statistics Part II: Statistics and Economics* (New York: Macmillan, 1899). In "Statistics and Sociology," students examined "population, population and land, sex, age and conjugal condition, births, marriages, deaths, sickness and mortality, race and nationality, migration, social position, infirmities, suicide, vice, crime, nature of statistical regularities." "Statistics and Economics," covered "those statistics of most use in political economy," including "land, production of food, conditions of labor, wages, money, credit, prices, commerce, manufactures, trade, imports and exports, national wealth, public debt, and relative incomes" (Columbia University School of Political Science, *Announcement: 1898-1899* (New York: Columbia, 1898), 35-36).

In 1899, Hoshi Hajime introduced Mayo-Smith's ideas and methods on statistical science to the general public through a two-part translation of Chapter Two of Mayo-Smith's *Statistics and Sociology* titled, "The Criteria of Statistics" (*Tōkei no hyōjun*), published in the leading Japanese popular journal, *Taiyō*.<sup>73</sup> In this word-for-word translation, Hoshi conveyed Mayo-Smith's idea that "if Statistics is a scientific instrument of investigation it must be used scientifically," "just as a tool is nothing more than a mass of wood or metal, except in the hands of a skilled workman (*atakamo ichi kikai no jūkuren naru kōsha no te ni arazareba, mokuhen aruiwa kinzoku no ikkai taru nisukizaruka gotoki nomi*)."<sup>74</sup> Mayo-Smith's method for the scientific use of statistics consisted of four sequential stages: (1) Gathering the material; (2) tabulating and arranging it; (3) comparing one set of statistics with another in order to discover relations of co-existence or of cause and effect; and (4) formulating statistical or sociological laws.<sup>75</sup> Mayo-Smith thus provided Hoshi with the values and the toolkit of progressive intellectuals as embodied in the methods of social science.

Another of Hoshi's major influences was Mayo-Smith's protégé, E.R.A. Seligman, who was promoted to full professor of Political Economy and Finance in 1891.<sup>76</sup> Seligman was an economist known for his works on public finance and

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<sup>73</sup> Hoshi Hajime, "Kaigai jijyō: shichō tōkei no hyōjun," in *Taiyō* vol. 5 no. 5 (March 4, 1899), 218-222; Hoshi Hajime, "Kaigai jijyō: shichō tōkei no hyōjun," in *Taiyō* vol. 5 no. 5 (March 20, 1899), 219-223.

<sup>74</sup> Hoshi Hajime, "Kaigai jijyō: shichō tōkei no hyōjun," in *Taiyō* vol. 5 no. 5 (March 4, 1899), 218; Mayo-Smith, *Science of Statistics Part I: Statistics and Sociology*, 17-18.

<sup>75</sup> Ibid.

<sup>76</sup> Seligman earned a bachelor's degree from Columbia in 1879, and later a Ph.D. under Mayo-Smith with a dissertation titled, "Mediaeval Guilds of England" (Rozwadowski, 196-197).

taxation, especially *Progressive Taxation in Theory and Practice* and *The Shifting and Incidence of Taxation*.<sup>77</sup> He wrote about the plight of the worker and supported the concept of a living wage, which, he argued, would also be beneficial to corporations because it would increase efficiency by raising competition and tend to "be in the direction of progress and social peace."<sup>78</sup> He was one of the early proponents of property tax and progressive taxation based on the "ability to pay," which he related to problems of production and distribution.<sup>79</sup> Seligman was a regular advisor on public finance for the city of New York, the federal government, and the League of Nations; he was also a co-founder, along with Richard T. Ely, of the American Economic Association, which was instrumental in establishing economics as a professional discipline.<sup>80</sup>

Perhaps the most influential course that Hoshi took from Seligman was his "History of Economics."<sup>81</sup> In this class, students discussed various theories of political

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<sup>77</sup> Ben Seligman, *Main Currents in Modern Economics: Economic Thought since 1870* (New York: Free Press of Glencoe, 1962), 620-621.

<sup>78</sup> Joseph Dorfman, *The Economic Mind in American Civilization, Vol. 3: 1865-1918* (New York: The Viking Press, 1949), 254-256.

<sup>79</sup> Ibid. Seligman, 620-621.

<sup>80</sup> Rozwadowski, 196-197.

<sup>81</sup> Seligman provided Hoshi with the historicity of economic development. A class Hoshi likely took with Seligman was "Fiscal and Industrial History of the United States," which consisted of a "survey of national legislation on currency, finance and taxation, including the tariff, together with its relations to the state of industry and commerce" from the colonies to "current problems of currency and coinage." Another popular Seligman course, "Railroad Problems, Economic, Social and Legal," was a history of the railroad industry and railway policy in American and Europe "in the fourfold aspect of their relation to the investors, the employees, the public and the state respectively." This course paid special attention to "the methods of regulation and legislation in the United States as compared with European methods, and the course closes with a general discussion of state *versus* private management" (Columbia University School of Political Science, *Announcement: 1898-1899*, 32).

economy in relation to their "organization of the existing industrial society" from Plato and Aristotle, to mercantilists like John Locke, to classical economists like Adam Smith, Malthus, and Ricardo, to recent writers including Arnold Toynbee and Alfred Marshall.<sup>82</sup> One writer covered in this course was the French economist, Paul Leroy-Beaulieu, whom Hoshi invoked multiple times in his later career as the president of Hoshi Pharmaceuticals, particularly in defense of its actions in the wake of the 1925-26 opium scandal. Hoshi invoked Leroy-Beaulieu to argue for the importance of government aid and assistance to private enterprise, without, of course, any increased government regulation.<sup>83</sup>

As progressive intellectuals, Mayo-Smith and Seligman exposed their students to theories that challenged capitalism even as they conveyed their staunch belief in the importance of the market economy. The late-nineteenth and early-twentieth century was a time of rampant corporate mergers and conglomerations. But it was also an era of increasing unionization with the development of major national labor unions such as the American Federation of Labor, the American Railway Union, and the International Ladies' Garment Workers' Union. Tensions between management and labor frequently ignited into violent, nationally publicized conflicts such as the Homestead and Pullman Strikes. Mayo-Smith and Seligman believed that the best defense against socialism was to understand its fundamental theories so that students would see how and why such theories would not work. Mayo-Smith created a course on "Communistic and Socialistic Theories" in which students examined the teachings of utopian socialists like

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<sup>82</sup> Ibid, 33.

<sup>83</sup> Hoshi Hajime, ed., *Ahen jiken* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1926), 28; Hoshi Hajime, ed., *Kina ni kansuru zadankai sokkiroku* (Tokyo: Hoshi Hajime, 1934), 81.

Saint-Simon, Owen, and Fourier, reformers like Henry George (famous for the "single land tax") as well as Marx and Engels.<sup>84</sup>

During Hoshi's tenure at Columbia, the economist John Bates Clark (1847-1938), who had been recruited to the Columbia faculty in 1895, taught "Communistic and Socialistic Theories."<sup>85</sup> Although he later became a strident neoclassical economist, early in his career Clark was a Christian socialist who sought ways to curb the social side effects of rampant competition in a capitalist system.<sup>86</sup> His most famous work was his 1886, *The Philosophy of Wealth*, in which he argued for cooperation -- specifically, the "union of capital necessitates the union of labor" -- as a beneficial replacement for competition in the marketplace.<sup>87</sup> Clark's work was covered in Seligman's class, "History of Economics."<sup>88</sup> Although it is unclear whether Hoshi had encountered more of the Christian socialist Clark or the neoclassical economist Clark -- Clark's idea of cooperation as a way to overcome capitalism's adverse effects resonated with Hoshi Pharmaceuticals' later ideology.

Seligman offered seminars on Marx during Hoshi's time at Columbia, which provided grist for one of his most famous works, published in 1901-1902 in the *Political*

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<sup>84</sup> Rozawadowski, 196.

<sup>85</sup> Columbia University School of Political Science, *Announcement: 1898-1899*, 34-35.

<sup>86</sup> Clark had graduated from Amherst College in 1872, and before joining Columbia, he had taught at Carleton College, where he was Thorstein Veblen's teacher, and later at Smith and Amherst, and Johns Hopkins (Rozawadowski, 199-200; James T. Shotwell, "John Bates Clark, 1847-1938," in *Political Science Quarterly*, vol. 53, no. 2 (Jun., 1938): 241).

<sup>87</sup> John Bates Clark, *The Philosophy of Wealth: Economic Principles Newly Formulated* (Boston: Ginn and Company, Publishers, 1894).

<sup>88</sup> Columbia University School of Political Science, *Announcement: 1898-1899*, 33.

Science Quarterly, "The Economic Interpretation of History."<sup>89</sup> This later became a volume of the same title.<sup>90</sup> While known as "the leading academic apologist for capitalism in America," Seligman was also one of the leading American scholars of Marxism.<sup>91</sup> His *The Economic Interpretation of History* solidified this reputation.<sup>92</sup> Upon its publication, it sold out in less than three months, and had an additional seven printings by 1924.<sup>93</sup> It was also widely read and translated abroad.

According to the historian Atsuko Hirai, the translation of *The Economic Interpretation of History* was the closest thing there was to Marxist theory before Marx's work were readily available in Japan. The translation influenced such intellectuals as Kawai Ejirō (1891-1944) and Nitobe Inazō (1862-1933) (who was especially close to

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<sup>89</sup> Edwin R.A. Seligman, "The Economic Interpretation of History, I," *Political Science Quarterly*, vol. 16, no. 4 (Dec., 1901): 612-640; Edwin R.A. Seligman, "The Economic Interpretation of History, II," *Political Science Quarterly*, vol. 17, no. 1 (Mar., 1902): 71-98; Edwin R.A. Seligman, "The Economic Interpretation of History. III," *Political Science Quarterly*, vol. 17, no. 2 (Jun., 1902): 284-312.

<sup>90</sup> Edwin R.A. Seligman, *The Economic Interpretation of History* (New York, Columbia University Press; The Macmillan Company, Agents; London: Macmillan & Co., Ltd., 1902).

<sup>91</sup> Clyde W. Barrow, "From Marx to Madison: The Seligman Connection in Charles Beard's Constitutional Theory," *Polity*, Vol. 24, No. 3 (Spring, 1992): 381. The historian Charles Beard was arguably Seligman's greatest student. After the publication of his *An Economic Interpretation of the Constitution of the United States* (New York: Macmillan, 1913), Beard was criticized as a Marxist sympathizer.

<sup>92</sup> Seligman's thesis can be summed up in this paragraph: "The existence of man depends upon his ability to sustain himself; the economic life is therefore the fundamental condition of all life. Since human life, however, is the life of man in society, individual existence moves within the framework of the social structure and is modified by it. What the conditions of maintenance are to the individual, the similar relations of production and consumption are to the community. To economic causes, therefore, must be traced in the last instance those transformations in the structure of society which themselves condition the relations of social classes and the various manifestations of social life" (E.R.A. Seligman, *The Economic Interpretation of History*, 53).

<sup>93</sup> Barrow, 384.



Hoshi Hajime). Nitobe, for example, used the translation as a textbook in his lectures as chair of colonial studies at Tokyo Imperial University.<sup>94</sup>

Although Hirai criticizes Seligman's work as "an apology for the Marxian theory of history, which the author proposed to call 'the economic interpretation of history' rather than historical materialism," Seligman was in fact trying to draw a line between his work and that of Marx.<sup>95</sup> Because Seligman saw economics as the basis for all social relations throughout history, he wanted to rescue the use of the term "the economic interpretation of history" from its associations with Marx.<sup>96</sup> "There is nothing in common," he wrote, "between the economic interpretation of history and the doctrine of socialism, except the accidental fact that the originator of both theories happened to be the same man."<sup>97</sup> Although Seligman was clearly an admirer of Marx, his work was certainly not an apologetic.<sup>98</sup> Rather, it was an attempt to disassociate Marxist theory from economic interpretation, which he argues, should be the primary foundation for historical inquiry because "the economic life...is the fundamental condition of all life."<sup>99</sup> To Seligman, Marx's "scientific socialism" was a "thing by itself, with which we have here no concern."<sup>100</sup>

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<sup>94</sup> Atsuko Hirai, *Individualism and Socialism: The Life and Thought of Kawai Ejirō (1891-1944)* (Cambridge, MA: Council on East Asian Studies, Harvard University, 1986), 35-36; 214.

<sup>95</sup> Seligman, 214.

<sup>96</sup> Seligman also wrote that, "Historical materialism" or "the materialist interpretation of history," are terms "lacking in precision." E.R.A. Seligman, *The Economic Interpretation of History*, 3-4.

<sup>97</sup> Seligman, 105; Quoted in Barrow, 390.

<sup>98</sup> E.R.A. Seligman, *The Economic Interpretation of History*, 162.

<sup>99</sup> *Ibid.*, 3.

<sup>100</sup> *Ibid.*, 24.

Seligman criticized Marxism because it was based on "socialist doctrines of labor and surplus value" that had "nothing to do with the economic interpretation of history."<sup>101</sup>

As a neoclassical economist, Seligman believed in the evolution -- through natural selection -- of political and socio-economic structures, but he did not believe, as Marx did, that competition and conflict would inevitably lead to class struggle.

Characterizing his progressivism, Seligman wrote, "The vast majority of economic thinkers to-day believe, as a result of this historical study, that the principle of private property is a logical and salutary result of human development, however much they may be disposed to emphasize the need of social control."<sup>102</sup> According to Seligman:

Socialism is a theory of what ought to be; historical materialism is a theory of what has been. The one is teleological, the other is descriptive. The one is a speculative ideal, the other is a canon of interpretation. It is impossible to see any necessary connection between such divergent conceptions.<sup>103</sup>

Seligman argued for a more open economic interpretation that had room for greater historical contingency: "Economic interpretation of history means, not that the economic relations exert an exclusive influence, but that they exert a preponderant influence in shaping the progress of society."<sup>104</sup> Historical contingency was reflected in Seligman's theory on the role of individuals -- particularly, great men -- in relation to social progress. Economic interests may have a preponderant influence on the shaping of history, but "history is made by men."<sup>105</sup>

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<sup>101</sup> Ibid.

<sup>102</sup> Ibid., 106.

<sup>103</sup> Ibid., 108.

<sup>104</sup> Ibid., 62.

<sup>105</sup> Ibid., 67, 101.

Seligman's work provides a key to the thought process of many progressive intellectuals of his time, and also, by extension, the seeming contradiction in Hoshi Pharmaceutical's mantra of "Kindness First": between individual action amid harsh competition, and a social cooperatism. With echoes of Kantian morality, Seligman argued that every individual is ideally a free agent, but that the "decision of any one individual is important only to the extent that his influence preponderates with the great majority; and then it is no longer an individual judgment, but becomes that of the majority."<sup>106</sup> Following this logic, the great man is "great because he visualizes more truly than any one else the fundamental tendencies of the community in which his lot is cast, and because he expresses more successfully than others the real spirit of the age of which he is the supreme embodiment."<sup>107</sup> How well individuals influence the majority (i.e. become actors in history) depends on whether that particular individuals' actions are beneficial to social welfare.<sup>108</sup> "The characteristic mark of the modern factory system, still in its infancy," wrote Seligman, "is the predominance of the individual or corporate entrepreneur on a huge scale, as we see it typified in the present trust movement in America."<sup>109</sup> Hoshi Hajime seemed to envision himself as just that type of corporate entrepreneur.

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<sup>106</sup> Ibid., 120-123.

<sup>107</sup> Ibid.

<sup>108</sup> Ibid,

<sup>109</sup> Ibid., 107-108.

In 1901, Hoshi graduated from Columbia with a master's thesis titled, "Trusts in the United States: Their Origins and Effects."<sup>110</sup> As a defense of the dominance of large-scale corporations, it represented the culmination of the empirical training and Progressive influences of Mayo-Smith, Seligman, and Clark. In his thesis, Hoshi attempted to support his arguments empirically with U.S. government census data, statistical analyses from industrial associations, and figures provided by leading firms and trusts such as Rockefeller's Standard Oil and the Sugar Trust. It was a synthesis between a celebration of individualistic competition, the highest form of which was practiced in the United States, and, at the same time, a recognition of the limits of capitalism, specifically the need to save it from its deleterious effects. To Hoshi, the answer to the "trust problem" was that there was no such problem to begin with: "Trusts should not be discouraged by popular prejudice, or by restrictive or prohibitive legislation" because, "It is the best policy for a progressive country to encourage this form of industry and commercial activity."<sup>111</sup>

Hoshi argued that trusts were not barriers that prevented capitalist competition, but rather, natural outgrowths of competition. Hoshi began by defining what he meant by a "trust," which "may also be a monopoly, but it is not necessarily, no[r] is it usually, monopolistic in its operation." Quoting Alfred Marshall, he wrote, "only a monopoly has power to adjust supply and demand in...an absolute manner." According to Hoshi:

A trust may be defined as an organization of corporations, as a corporation is an organization of individuals. It is the evolution of commercial activity advanced one step beyond the primary organization of individuals

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<sup>110</sup> Hoshi Hajime, "Trusts in the United States: Their Origins and Effects," M.A. Thesis, Columbia University, 1901.

<sup>111</sup> Hoshi Hajime, "Trusts in the United States: Their Origins and Effects," 29.

into a corporation. It may, and usually does, affect supply and demand, but it cannot, as a rule, control, regulate, or adjust the relations between them. This can only be done by a true monopoly.<sup>112</sup>

Hoshi attempted, in other words, to disassociate the word, "trust," from "monopoly," which had connotations of corruption and collusion that were diametrically opposed to free market ideology. To Hoshi, trusts conducted business on a larger, more efficient scale. By "trust," Hoshi really meant a "corporation," which he defined as a structure of concentrated capital that grew out of population increase, expanding demand, the invention of new machinery, and improvements in the means of communication and transportation. Hoshi followed the parlance of the times, when "trust" and "corporation" were deployed almost interchangeably.<sup>113</sup>

To Hoshi, corporations were beneficial -- and indeed essential -- to the progress of the nation. They "no doubt, made possible the modern industrial era." "Without the corporation and its natural and logical outgrowth, the trust, this nation would not be the same as it is to-day, but would have had a different history." For example, up to 1900, the United States has "doubled its population every twenty five years, and its wealth even more rapidly necessarily has a trade that has grown to immense proportions...the natural development of such a trade leads to the formation of large corporations." One of the primary reasons, Hoshi argued, was that corporations lowered and improved the cost of living by "cheapen[ing] the necessities of life." Trusts, Hoshi wrote, "lowered the cost of living in Europe and America, developed luxuries and improved literature, art, science, and elevated the moral standard." Citing how the price of oil decreased from 17.3 cents

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<sup>112</sup> Ibid., 3-4.

<sup>113</sup> Gabriel, Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916* (New York: Free Press, 1977), 18.

in 1874 to 5.6 cents per gallon in 1899, and how the price of sugar decreased from 10.4 cents to 4.4 cents per pound during the same period, Hoshi argued that large combinations enabled people to consume goods for less money. Consumers, the largest cross-segment of society, were the unified, class crossing group who enjoyed these benefits.<sup>114</sup>

How did trusts do this? First, they "utilize[ed] their natural advantages" to become more efficient. Concentration of capital and economies of scale led to the adoption of improved methods of production, "which could not well be done by individuals or small organizations" and "enable[d] the trusts to sell at lower prices and yet have a wider margin of profits." These improved methods, "utilizing all the modern forces of steam, electricity, machinery and capital," helped make the use of natural resources production -- namely, time, space, and raw materials -- more efficient. Hoshi cited Alfred Marshall to make the point that "the isolated workman often throws away a number of small things which would have been collected and turned a good account of in the factory."<sup>115</sup>

Second, trusts limited competition. To Hoshi, nothing was more wasteful than competition: "Great corporations tend to supplant the small ones through the necessities of expanding trade and the natural consolidation of capital for the purpose of lessening or destroying the effects of competition." Non-productive expenditures like sales and advertising campaigns were often passed to the consumer in the form of higher prices. Citing the congressional testimony of the President of the American Spirits

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<sup>114</sup> Hoshi Hajime, "Trusts in the United States: Their Origins and Effects," 7-8, 14-17.

<sup>115</sup> Ibid., 9, 12, 15.

Manufacturing Company, Hoshi wrote that an estimated \$40,000,000 a year is lost between the distiller and consumer through inefficiencies in distribution, with "the cost of [traveling] salesmen alone the combination [would] save \$1,000,000 a year."<sup>116</sup>

The linchpin of Hoshi's argument was the necessity for internal cooperation between management and labor within a corporation. Hoshi argued that savings that resulted from greater efficiency and less competition not only reduced prices for consumers but also improved wages for workers. Because "the basis of industrial efficiency is the health and strength of its workers," "cheap labor," Hoshi argued was "uneconomic," and corporations would logically increase wages and maintain the health and strength of its workers. Hoshi defended his argument by quoting statistics from an investigation of forty-one trusts and combinations by the U.S. Department of Labor. "Prior to the era of combinations," wages of all employees had increased 12.61 percent from \$460.00 per year to \$518.00 with the total amount of wages paid increasing from 36.66 percent and the number of employees increasing 21.56 percent. Citing the classical economist George Gunton's *Principles of Economics*, Hoshi wrote, "Statistics of wages and prices...show that from 1860 to 1885 the purchasing power, in two hundred staple articles, of the average weekly wages in twenty mechanical industries increased a little over fifty percent."<sup>117</sup> Hoshi ended his thesis with a quote from his advisor's textbook, *Statistics and Economics*:

Wage statistics show that the compensation of labor is increasing rather than decreasing. This confirms the well-worn commonplace of political economy, that the interests of capital and labor are one; that an abundance of capital is the prerequisite for the high reward of labor. There are two

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<sup>116</sup> Ibid., 8,16.

<sup>117</sup> Ibid., 20-21.

facts in the modern organization, which prevent capital from tyrannizing over labor. One is the abundance of capital, which still keeps alive competition; the second is the nobility [sic] of labor, which enables labor to go from one employment to another.<sup>118</sup>

### *"Japan and America" and Political Connections*

During his time in America, Hoshi made connections that were vital to his future company. Hoshi befriended the small number of Japanese students at Columbia, nearly all of whom went on to elite careers in politics and industry, but he made his most important contacts outside of the university.<sup>119</sup> In the summer of 1898, Hoshi entered the newspaper business while working as a manservant in the home of a wealthy New York lawyer. With the financial and editorial support of his employer, Hoshi translated articles from *Taiyō* and other popular Japanese periodicals, which he then assembled into a newsletter titled *Japan-America Weekly Report (Nichi-Bei shūhō)* for sale to newspaper companies who wanted information on Japan.<sup>120</sup> Hoshi regarded the newspaper

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<sup>118</sup> Hoshi Hajime, "Trusts in the United States: Their Origins and Effects," 22-23; Mayo-Smith, *Statistics and Economics*, 191-192. Hoshi mistakenly transcribes the word "mobility" as "nobility," which provides a different nuance on his ideas concerning the relationship between management and labor in a capitalist system.

<sup>119</sup> These included Tanaka Hozumi (1876-1944) who became a journalist for the *Tokyo nichichi shinbun*, a professor of economics and finance at Waseda University, and a member of the House of Peers; Sano Zensaku (1873-1952), later an influential scholar of commerce and finance at Hitotsubashi University; Sakurai Nobuhiro, a director of Mitsukoshi Department Store; and perhaps most important, the industrialist Natori Eisaku (1872-1959), who was one of the first managing directors of Hoshi Pharmaceuticals. He founded Fuji Electric Company (*Fuji denki seizō*), took leading positions in companies like Tokyo Electric, Japanese Silk Manufacturing (*Nihon kenpu seiren*) as well as the newspaper, *Jiji shinpō*, and also served in the House of Peers.

<sup>120</sup> The employer's name was Stickney, and it was his wife who was Hoshi's major supporter. According to Hoshi Shin'ichi, there was a growing appetite for "things Japanese" due to the popularity of Lafcadio Hearn's writings. Hoshi's translation of Mayo-Smith likely began during this time. Ōyama, 75-79; Hoshi Shin'ichi, 178-184.



industry as a means for becoming a self-made man; through the examples of his early mentor, Takahashi Kenzō, and the yellow journalism of William Randolph Hearst, he admired the power that newspapers wielded on politics and society.<sup>121</sup> Hoshi also recognized that entering the newspaper industry was a valuable way to spread his name.

Upon graduation from Columbia in 1901, Hoshi stopped publishing *Japan-America Weekly Report*, and started a monthly newspaper, *Japan and America*.<sup>122</sup> As a newspaper that fostered bilateral relations, it received funding from the Japanese government, which wanted to spread knowledge about Japan to Americans.<sup>123</sup> It had a monthly circulation of roughly 400 copies, and each issue cost 10 cents. It had two sections: one in English for American readers, and one in Romanized Japanese for overseas Japanese, with articles that summarized important political and economic events. To encourage the cross-cultural intermingling of political and business elites, Hoshi published special supplements such as "Prominent Americans Interested in Japan and Prominent Japanese in America." Hoshi's second-in-command was a man by the name of Anraku Eiji (1871-1926), whom he first met while in San Francisco.<sup>124</sup> Anraku later became Hoshi's right-hand man at Hoshi Pharmaceuticals.

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<sup>121</sup> 1898 was the year that Hearst's *New York Journal* whipped up support for the Spanish-American War. Hoshi Shin'ichi, 186-187.

<sup>122</sup> *Japan and America*, 1901-1903. In 1903, *Japan and America* was merged into *Japanese-American Commercial Weekly* (formerly the *Japanese American Weekly News*).

<sup>123</sup> Ōyama, 79.

<sup>124</sup> Hoshi Shin'ichi, 190, 268; Ōyama, 81-82.

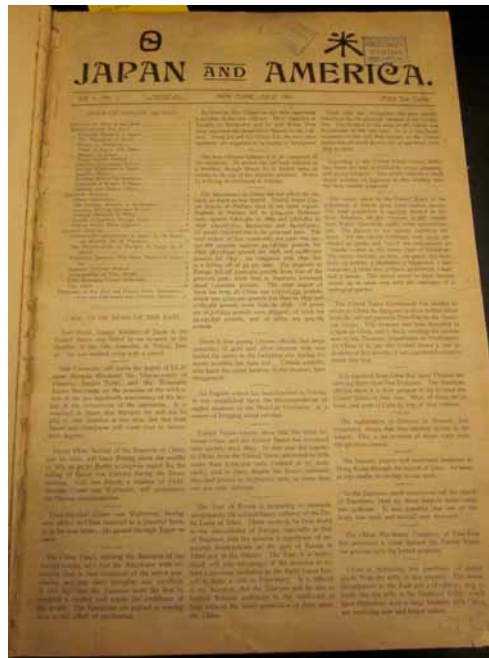


Fig. 1.1: *Japan and America*, vol. 1, no. 1 (July 1901)

By publishing *Japan-America Weekly Report* and *Japan and America*, Hoshi advertised his credentials as an informant on American society, a missionary of Japanese culture, and a translator of English and Japanese. In the Meiji period, Japanese leaders frequently traveled to Europe and America for ideas on how to construct a modern nation-state and society. When they visited the United States, Hoshi tracked them down for interviews, which he published in his newspaper. After meeting Hoshi, these figures often turned to Hoshi for his language expertise and knowledge. From Hoshi's later years at Columbia through his return to Japan in 1905, Hoshi took a number of prestigious side jobs with such men of consequence as Nitobe Inazō (1862-1933), Sugiyama Shigemaru (1864-1935), Itō Hirobumi (1841-1901), and Gotō Shinpei (1857-1929), which enabled him to cultivate life-long relationships. These larger-than-life leaders shared two major characteristics: they wore multiple hats across the political,

academic, and industrial worlds (often at the same time), and they were leading proponents of Japan's imperial expansion abroad, particularly through economic means.

Nitobe Inazō hired Hoshi to work at the Japan exhibition at the 1900 Paris World Fair.<sup>125</sup> At the time, Nitobe was a professor of agricultural science and colonial studies at Sapporo Agricultural College (now Hokkaido University), and was only a year away from accepting a post to lead the Sugar Bureau in Japan's colonial government in Taiwan.<sup>126</sup> Nitobe was known for his internationalist approach to Japan's foreign policy and his emphasis on the civilizing and "humanitarian" aspects of colonial rule.<sup>127</sup> Nitobe taught agricultural science and colonial studies at leading educational institutions in Japan: in 1904, he became a professor at Kyoto Imperial University, and, in 1913, he assumed the chair of colonial studies at Tokyo Imperial University. Nitobe was also a diplomat and a politician: Nitobe became an Under-Secretary in the League of Nations in 1920 and served in the House of Peers in 1926.<sup>128</sup>

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<sup>125</sup> Nitobe recognized Hoshi's English ability, and drafted him to work for the Japan exhibition, where Hoshi helped conduct press conferences and created a pamphlet on the state of newspaper publishing in Japan (Hoshi Shin'ichi, 195-201). At the same world fair, Hoshi also worked as a researcher for Ōkawa Ikuzō (1856-1928), the publisher of the newspaper, *Chuō shinbun*. Ōkawa was known as one of the most influential elders in the Seiyūkai Party in the 1910s and 1920s, having won a seat in the House of Representatives twelve times in the course of his career. In 1914, he briefly served as Education Minister in Prime Minister Yamamoto Gonbee's cabinet. In 1899, Ōkawa had asked Hoshi to write a report on trusts in America, which later became the subject of his M.A. thesis (Hoshi Shin'ichi, 193-194; Ōyama, 84-85).

<sup>126</sup> Ibid.

<sup>127</sup> Genzō Yamamoto, "Navigating the Euro-American Enlightenment: Japan and the Modern World," in *Japan and Asian Modernities*, edited by Rein Raud (London: Kegan Paul International, 2007), 135-137; Mark Lincicome, *Imperial Subjects as Global Citizens: Nationalism, Internationalism, and Education in Japan* (Lanham, MD: Lexington Books, 2009), 42. Andrew E. Barshay, *The Social Sciences in Modern Japan: The Marxian and Modernist Traditions* (Berkeley, CA: University of California Press, 2004), 60).

<sup>128</sup> Nitobe was perhaps most well-known for his English-language publication, *Bushido: The Soul of Japan*, a book which shaped world views on Japanese culture by emphasizing the values and virtues of samurai (Nitobe, Inazo, *Bushido, the Soul of Japan: An Exposition of Japanese Thought* (Tokyo: Sakurai Hikoichirō, 1905).

Sugiyama Shigemaru was another major figure in Hoshi's career. Sugiyama was a leading figure in the *Gen'yōsha* (Black Sea Society), a right wing, ultranationalist group, which supported imperialist expansion in Asia from behind the scenes. A shady character, he was rumored to have "facilitated" the annexation of Korea and helped establish such government-sponsored entities as the Bank of Taiwan and the South Manchuria Railway, which were fundamental to the development of Japan's empire.<sup>129</sup> Hoshi had first met Sugiyama while Hoshi was studying in Tokyo, and they crossed paths again in New York in 1901 when Sugiyama was helping Prime Minister Katsura Tarō negotiate foreign loans with the United States.<sup>130</sup>

That same year, Sugiyama introduced Hoshi to Itō Hirobumi, who had stopped in New York on a year-long world tour.<sup>131</sup> Itō was a member of a small group of oligarchs (*genrō*) who dominated the cabinet and bureaucracy of Japan until the 1920s, either from formal office or in backrooms. From 1871-1873, Itō was a member of the famed Iwakura Mission, which was intended to revise the 1858 unequal treaties imposed on Japan and to observe the institutions and practices of Western nations. Itō played a leading role in drafting the Meiji Constitution in the late 1880s, and was elected as the

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<sup>129</sup> Jansen, Marius B., *The Japanese and Sun Yat-sen* (Stanford, CA: Stanford University, 1970), 39-40; Peter Duus, *The Abacus and the Sword: The Japanese Penetration of Korea, 1895-1910* (Berkeley: University of California Press, 1998), 202, 24. As a member of the *Gen'yōsha* society, Sugiyama had served jail time for assisting the *Gen'yōsha*'s failed assassination attempt of another Meiji oligarch, Ōkuma Shigenobu (1838-1922), and was also rumored to have plotted an assassination of Itō Hirobumi before they became friends (Hoshi Shin'ichi, 91-100; Watanabe Ryūsaku, *Kindai Nichū minshū kōryū gaishi* (Tokyo: Yūzankaku shuppan, 1981), 36).

<sup>130</sup> Hoshi Shin'ichi, 96, 215-216. Sugiyama actually knew Hoshi's father when Kisanta was working in public office in Fukushima. See Daba Hiroshi, *Gotō Shinpei o meguru kenryoku kōzō no kenkyū* (Tokyo: Nansōsha, 2007), 141; Sugiyama Shigemaru, *Hyakuma: zokuhen* (Dai Nihon yūbenkai, 1926), 112, 116, 120.

<sup>131</sup> Daba, 141; Hoshi Shin'ichi, 218-223; Ōyama, 92-93.

very first prime minister of Japan in 1885 (he later served as prime minister three other times in his career).

In 1902, Sugiyama introduced Hoshi to the man who would become his leading supporter, Gotō Shinpei.<sup>132</sup> At the time, Gotō was head of civilian affairs in the Government-General in Taiwan. Gotō's career reads like a political history of modern Japan: trained as a doctor in Japan and Germany, he served, among other roles, in the Home Ministry's Hygiene Bureau in the late 1880s, as the head of the first director of the South Manchurian Railway (1906-1908), and the mayor of Tokyo in the 1920s. In the second Katsura cabinet (1908-1912), Gotō served as the communications minister, the railway minister, and later, the director of the Colonization Bureau. In the Terauchi cabinet (1916-1918), Gotō took on the position of home minister and the foreign minister. Gotō was also an influential diplomat, particularly in negotiations with China and the Soviet Union.<sup>133</sup> Gotō took an immediate liking to Hoshi, and often referred to him as his "American."<sup>134</sup> That same year, he invited Hoshi for a month-long stay in Taiwan, and took him as an advisor on a fact-finding mission to the Western United States.<sup>135</sup> In 1904, Gotō hired Hoshi to direct the Japan exhibition at the St. Louis World Fair.<sup>136</sup> Gotō also provided Hoshi with money to help prop up *Japan and*

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<sup>132</sup> This meeting occurred at the Red Cross Hospital in Tokyo. In 1902, Hoshi decided to travel back to Japan to see his family for first time in 8 years and also to try to scrounge up funding for his newspaper, which had been losing money (Hoshi Shin'ichi 224-225, 234-240; Ōyama 98-102).

<sup>133</sup> Frederick Dickinson, *War and National Reinvention: Japan in the Great War, 1914-1919* (Cambridge, MA: Harvard University Press, 1999), 56.

<sup>134</sup> Ōyama 101; Hoshi Shin'ichi 240.

<sup>135</sup> Ōyama, 98-102; Hoshi Shin'ichi 234-240.

<sup>136</sup> Ōyama, 107; Hoshi Hajime, *Handbook of Japan and Japanese Exhibits at World's Fair* (St. Louis, MO: Woodward and Tiernan Printing Co., 1904).

*America*, which had been losing money ever since it started.<sup>137</sup> But Hoshi was unable to save the newspaper, and ended publication in late 1904.<sup>138</sup>

In 1905, Hoshi returned to Japan. But before he went home to Fukushima, he first visited the homes of Sugiyama, Itō, Gotō, and other dignitaries to pay his respects.<sup>139</sup> Later that year, Itō Hirobumi became the first Resident-General of Korea, which had just become a formal Japanese protectorate after Japan's victory in the 1904-1905 Russo-Japanese War, and he invited Hoshi to spend three months informally advising him.<sup>140</sup> During Hoshi's stay in Korea, Itō suggested that Hoshi start a newspaper there and offered him jobs in the colonial administration, but Hoshi refused and returned to Tokyo jobless and looking to start anew.<sup>141</sup>

### *The Founding of the Company*

The story of the founding of Hoshi Pharmaceuticals is often recited in company promotions. The level of detail varies, but the story largely remains the same. Like many such narratives, the official company narrative begins with a story of a founder with little means and a pioneering idea. The difference here is that the founder was well

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<sup>137</sup> Hoshi Shin'ichi, 242.

<sup>138</sup> Ōyama, 112.

<sup>139</sup> Ibid., 120.

<sup>140</sup> Ibid., 114-115.

<sup>141</sup> Hoshi Shin'ichi, 266; Ōyama, 114-115. Itō met his demise when a Korean nationalist, An Jung-geun, assassinated him in 1909.

off and extraordinarily well connected. The narrative begins in 1906 with Hoshi Hajime in Tokyo searching for a new occupation to become a self-made man. He knew he wanted to start a business that would "cater to the masses (*taishūsei no aru shōbai*)," but he did not know what industry to enter. Influenced by the lessons he learned in scientific observation, Hoshi spent about a month examining the shopping districts between Shinbashi and Ueno in an orderly and disciplined manner.<sup>142</sup> He came up with ten requirements for goods his future business would produce:

- (1.) It had to respond the demands of the times (*Jisei no yōkyū ni ōzuru*);
- (2.) it had to have high demand (*Juyō no ookimono*);
- (3.) it had to have a future (*shōrai aru mono*);
- (4.) it should have lasting characteristics (*eizoku subeki seishitsu no mono*);
- (5.) it had to allow for the fast recovery of capital (*shikin no kaishū no hayaki mono*);
- (6.) it had to be easy to buy (*shire ni kantan naru mono*);
- (7.) it should not chase what's in fashion (*ryūkō o oiwazaru mono*);
- (8.) its price should not change much (*kakaku no hendō sukoki mono*);
- (9.) it would tolerate being stored (*chozō ni taeyuru mono*);
- (10.) it must not require advertising (*taezu kōkoku o yōsezaru mono*).<sup>143</sup>

One idea was footwear because shoes and sandals were essential, consumable goods (*shōmōhin*). A second idea was to open a hardware store. While in St. Louis for the World's Fair, Hoshi had looked into the famed Simmons Hardware Company, feeling that a store selling tools useful in everyday life would be a great success in a modernizing Japan. Hoshi settled on his third idea, the medicine business. In the words of his official biographer:

Making good medicines and cheaply selling them would certainly make people happy and be a successful business. During his time in America,

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<sup>142</sup> Ōyama, 116-118.

<sup>143</sup> Kyōtani, 140-141.

Hoshi vowed that he would not get sick, and in order to make sure to take care of himself even when he felt a little bit sick, he would purchase a variety of patent medicines to take. Therefore, he had a considerable interest in their efficacy. In America at the time, medicines were very popular -- there were drugs that immediately stopped headaches or lowered fevers after catching colds (today's aspirin), etc. As a home remedy for bruises, a compress of ammonia was commonly used. Hoshi saw how effective these treatments were and, as a result, had a deep interest in medicines.<sup>144</sup>

Hoshi recognized a high potential demand for medicines. Producing them did not require much initial capital, and that capital could be recovered quickly because the margins compared to costs of production were high.

In 1906, with 400 yen of borrowed money, Hoshi Hajime produced a tar-colored salve called ichthyol for sale to a pharmacy in Nihonbashi called "Iwashiya." Chemically ammonium bituminosulfonate, ichthyol was a popular anti-bacterial and anti-inflammatory ointment used to treat acne, eczema, and other skin problems. Hoshi had no formal training in chemistry and little relevant scientific knowledge, so he enlisted the help of a chemist who had been a close friend during his days at the Tokyo Commercial School. In the meantime, Hoshi ceaselessly devoured chemistry textbooks and other works to learn as much as he could. He sold his first batch of ichthyol for 1,600 yen, earning a profit of 1,200 yen from his initial capital of 400 yen. These profits boosted his confidence for continuing in the industry. Through the father of a classmate from Tokyo Commercial School who owned a factory called Koga Coke Manufacturing (*Koga kookusu seiyakujo*) in Tokyo, Hoshi obtained used bottles and canisters for free. In

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<sup>144</sup> Ōyama, 116-118.



1906, he opened a small manufacturing shop next to Koga Coke called the Hoshi Pharmaceutical Store (*Hoshi seiyakujo*).<sup>145</sup>

While Hoshi Hajime was developing his fledgling medicine business, he was also pursuing a career as a politician, which, in turn, helped him procure the backing and capital necessary to expand his company. In 1908, Hoshi Hajime won a seat in the House of Representatives in his hometown of Iwaki in Fukushima Prefecture.<sup>146</sup> As a member of the National Diet, Hoshi became acquainted with other politicians-cum-industrialists like Kitaoka Naoharu (1859-1934), the founder of Japan Life Insurance and member of the House of Representatives; Count Gotō Taketarō (1863-1913), a member of the House of Peers, founder of Shinagawa Coach and Railway Company, and later, a founder of Japan's oldest movie studio, Nikkatsu; Matsukata Sawajirō (1866-1950), a member of the House of Representatives and a founder of the Kawasaki zaibatsu; Iwashita Kiyochika (1857-1928), a member of the House of Representatives, president of Kitahama Bank, and a director of the South Manchurian Railway; and Hoshino Suzu (1854-1938) the president of Tokyo Printing Company and a member of the House of Representatives who later became the president of multiple companies including Japan Sugar and Hokkaidō Takushoku Bank.<sup>147</sup> These men were among some fifty leading businessmen in the National Diet known as the "Boshin Club" (*Boshin kurabu*), who

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<sup>145</sup> Ibid., 118-120.

<sup>146</sup> At the time, running for a seat cost 3,000 yen, which likely came from his connections.

<sup>147</sup> Count Gotō Taketarō was the son of Count Gotō Shōjirō (1838-1897). Shōjirō was a major figure in the 1868 Meiji Revolution that ended feudal rule, a leader in the Freedom and Popular Rights Movement (*Jiyū minken undo*), and served as communications minister in Prime Minister Kuroda Kiyotaka's cabinet, and the agriculture and commerce minister in Itō Hirobumi's second cabinet.

together advocated for low taxes, industrial development, and imperial and diplomatic expansion.<sup>148</sup>

In 1909, with an investment of 5,000 yen from Sugiyama Shigemaru (1864-1935) and the backing of the Foreign Minister at the time, Yamada Enjirō (1866-1914), Hoshi moved his business to a larger factory in Mita, and began mass-producing ichthyol as well as patent medicines based on examples he had seen in the United States.<sup>149</sup>

In 1910, Iwashita organized a group composed of Kitaoka, Matsukata, Sugiyama, and Gotō Taketarō that provided 25,000 yen for Hoshi to expand production, and in 1911, Hoshi Pharmaceuticals formally incorporated as a joint-stock holding company with a capitalization of 500,000 yen.<sup>150</sup>

In the early years of the company, the members of the Boshin Club dominated the company's upper management, which was as follows: President (*Shachō*) -- Hoshi Hajime; Board of Directors (*Torishimariyaku*) -- Count Gotō Taketarō, Watanabe Tōru (1867-1933), and Natori Eisaku (1872-1959); Corporate Auditors (*Kansayaku*) --

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<sup>148</sup> Ōyama, 118-120. For more on the "Boshin Club," see Boshin kurabu, *Dai nijū-go gikai kōkoku* (Tokyo: Boshin kurabu, 1909).

<sup>149</sup> Ōyama, 118-120; Liu Bi-rong, "Ribei zhimin tizhi xia Xing zhiyao huishe de zheng shang guanxi," Ph.D. diss., National Taiwan Normal University, 2009, 48-49.

<sup>150</sup> Ōyama, 118-120; Liu, 48-49. It is unclear who owned how many shares at this time. Hoshi Pharmaceuticals did not list on the Tokyo Stock Exchange until March 3, 1920 (*Tokyo kabushiki torihikijo gojū-nen shi* (Tokyo: Tokyo Kabushiki Torihikijo, 1928), 236). But even after listing, this information has been hard to find. Before 1949, publicly listed companies were required to file business statements (*eigyō hōkoku sho*), but because disclosure rules were not strict, companies (like Hoshi) often did not disclose their shareholder data. In the archive at Hoshi University, I found *eigyō hōkoku sho* for the following years, but none of which included any data about individual investors' stockholdings: 1923, 1933, 1934, 1935, 1937, 1940, 1941, 1944, 1945, 1948, 1949, 1950, and 1951. After 1949, corporations were required to file financial statements (*yukakabu hōkokusho*), which are much more detailed and include information on major shareholders. Nevertheless, it is safe to assume that Hoshi Hajime was, far and away, the largest shareholder. According to the previously mentioned article in the *Tōyō keizai shinpō*, as of the first half of 1923, Hoshi Hajime owned 68,276 shares as the largest shareholder ("Jigyō to kaisha: Hoshi seiyaku no naiyō," in *Tōyō keizai shinpō*, December 8, 1923).

Hoshino Suzu and Fujimura Yoshitane; and Advisors (*Sōdanyaku*) -- Iwashita Kiyochika, Kitaoka Naoharu, and Matsukata Sawajirō.<sup>151</sup> By the following year, the company named the bacteriologist Noguchi Hideo (1876-1928), a medical doctor named Sugimoto Jūnzō, and a lawyer and legal scholar, Aoki Tetsuji (1874-1930) in its roster of managers and advisors.<sup>152</sup> But it is unclear how much involvement these well-known figures had in the company, if any. Noguchi Hideo, for example, lived in the United States, and was most famously affiliated with the Rockefeller Institute of Medical Research. The one exception was Anraku Eiji who joined the company in 1913, worked in the advertising and trade divisions, and become the managing director in 1918.<sup>153</sup> Hoshi Pharmaceuticals, above all, was dominated by Hoshi Hajime, who was hands-on in nearly every aspect of the company.

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<sup>151</sup> "Hoshi seiyaku kabushiki gaisha shahō hakkō," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1913. Hoshi met Natori Eisaku while at Columbia (see above), and Fujimura Yoshitane was the president of Mansei Life Insurance at the time.

<sup>152</sup> *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1914. Hoshi crossed paths with Noguchi in the United States when Noguchi was researching in Philadelphia, and they supposedly became quick friends, partly because both were from Fukushima Prefecture. (Hoshi Shin'ichi, 259, 105-106; Hoshi Ryōichi, *Noguchi Hideyo: haran no shōgai* (Tokyo: Sanshūsha, 2008), 170-172). Noguchi primarily worked at the Rockefeller Institute of Medical Research, and was one of the most famous Japanese scientists of his time. Although the company later credited him with helping to start its vaccine division, it's unclear how much hands-on advising Noguchi did for the company considering he lived in the United States. Noguchi's connection to the company was mostly for publicity. Aoki Tetsuji was a scholar of commercial law at Keio known for his criticism of *lèse-majesté*, which landed him in jail in 1920.

<sup>153</sup> Hoshi Hajime, "Anraku-san ga shinimashita," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1913.

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Hoshi Hajime's ten-year stay in the United States was crucial for the company's future success. In America, Hoshi worked his way through school, and studied at Columbia University. Under the tutelage of Progressive Era scholars like Richmond Mayo-Smith and Edwin Seligman, Hoshi became immersed in the question of how to reform the problems created by modern, industrializing capitalism. Hoshi Pharmaceuticals' mantra of "Kindness First" -- composed of the three interrelated components of "cooperation" (*kyōryōku*), a "spirit of self-reliance" (*jichi no seishin*), and "science" (*kagaku*) -- originated, in large part, from this formative period.

But Hoshi's American lessons were only part of the story. Although Hoshi, like other elite, aspiring youth of his generation, believed that education abroad provided the intellectual and technical training necessary for fame and fortune, he likely did not even need to go overseas. Beginning in the 1870s, Meiji-era finance ministers like Ōkubo Toshimichi (1830-1878), Ōkuma Shigenobu (1838-1922), and even the deficit hawk Matsukata Masayoshi (1835-1924) promoted cooperation between state and business, turning slogans like "enrich the country, strengthen the military" (*fukoku kyōhei*) and "increase production, promote industry" (*shokusan kōgyō*) into policy.<sup>154</sup> Government bureaucrats invoked a "spirit of self-reliance" -- based on "timeless" agrarian ideas of a cooperative village community -- to encourage villages to take charge of their own fiscal and administrative affairs.<sup>155</sup> Teachers often appealed to *jichi no seishin* to convince

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<sup>154</sup> Richard J. Samuels, *Machiavelli's Children: Leaders and their Legacies in Italy and Japan* (Ithaca, NY: Cornell University Press, 2003), 72, 78-87; Sydney Cawcours, "Industrialization and Technological Change, 1885-1920," in *The Twentieth Century*, vol. 6 of *The Cambridge History of Japan*, edited by Peter Duus (Cambridge, UK: Cambridge University Press, 1988), 446-450.

<sup>155</sup> Gluck, 191-197.

students to take charge of their own education.<sup>156</sup> As early as the 1890s, factory managers began replacing the *oyakata-kokata* (master-apprentice) relationship, which they saw as an inefficient feudal relic that gave far too much autonomy to workers, with a system that gave control of the means of production to a rising professional class of scientifically trained managers and engineers.<sup>157</sup> Meanwhile, a congeries of politicians, journalists, and academics decried the plight of rural migration to city slums, the working conditions of child and female laborers in textile and match factories, and other side effects of industrialization.<sup>158</sup>

Japan not only seemed to have its own "progressive era," but also its own very own Seligmans and Mayo-Smiths. At the turn of the twentieth century, intellectuals like Kanai Noboru (1865-1933), Kuwata Kumazō (1868-1932), and Fukuda Tokuzō (1874-1930) formed the Japanese Social Policy Association (*Nihon shakai seisaku gakkai*) to promote harmonious cooperation through social reform. Against the idea that unfettered competition brought about the greatest social gains, they argued that the state had a moral duty to protect the weak and the poor that industrialization left behind.<sup>159</sup> In the words of Kanai, their goal was to "create the foundations of a prosperous country and a strong army which will bring about harmony, health, progress, and development for the entire

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<sup>156</sup> Mark Elwood Lincicome, *Principle, Practice, and Politics of Educational Reform in Meiji Japan* (Honolulu, HI: University of Hawai'i Press, 1995), 170.

<sup>157</sup> William M. Tsutsui, *Manufacturing Ideology: Scientific Management in Twentieth-Century Japan* (Princeton: Princeton University Press, 1998), 15-17.

<sup>158</sup> Sheldon Garon, *The State and Labor in Modern Japan* (Berkeley, CA: University of California Press, 1987), 23-25.

<sup>159</sup> Garon, 25; Tessa Morris-Suzuki, *A History of Japanese Economic Thought* (London, UK: Routledge, 1989), 56-59.

and united national society."<sup>160</sup> Like Mayo-Smith, Seligman, and Clark, they cast aspersions at Marxists to prevent themselves from being associated with them: they wanted to protect and improve upon capitalist society, not to destroy its foundations.<sup>161</sup> The similarities were not coincidental. The leading members of the Japanese Social Policy Association and Hoshi's professors at Columbia fell from the same academic tree: members of both groups had studied abroad in Germany at a time when German historicists like Gustav vom Schmoller (1838-1917) argued for an interventionist state that also promoted social welfare.<sup>162</sup>

While growing up in Japan, Hoshi undoubtedly was aware of the state policies and social problems that challenged the function of the free market. And as publisher of *Japan and America* and as a go-between for his fledgling nation's leading political elites, Hoshi kept abreast of such happenings from abroad. Hoshi might have learned such ideas from progressive lessons in the United States, but he could have easily learned them

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<sup>160</sup> Quoted in Morris-Suzuki, 57.

<sup>161</sup> Echoing Seligman's disavowal of Marxism in *The Economic Interpretation of History*, Fukuda wrote: [S]ocial policy cannot be based on Marx's materialist conception of history. We must reject such an idea -- indeed, it seems to me an extraordinary, inexplicable enigma that Marxists should support the same social policies that we support -- and at the same time we must correct teaching, i.e. social policy, to reveal the errors of the materialist conception of history inherent in socialism. From this standpoint it will be apparent that there is a fundamental difference between the views of the state and society expounded in socialism and those expounded in social policy (Quoted in Morris-Suzuki, 59).

<sup>162</sup> Ibid., 50-55; Schmoller's thinking descended from Friedrich List (1789-1846). In the late 1880s, a translation of List's protectionist tome, *National System of Political Economy*, appeared in Japan and influenced a generation of scholars and public planners. For more on Gustav vom Schmoller, see Rodgers, 1998; Erick Grimmer-Solem, *The Rise of Historical Economics and Social Reform in Germany, 1864-1894* (Oxford, UK: Oxford University Press, 2003).

almost anywhere, even at home. Challenges to capitalist competition emanating from within Meiji Japan had their equivalents in other industrializing nations.<sup>163</sup>

Hoshi's travels abroad embodied the turn-of-the-century global circulation of statist ideas, which coupled profit motives to social concerns. When he returned home to start his "world-defining" pharmaceutical company, Hoshi was merely one among many disseminators of a global ideology who sought to reform capitalism, liberally borrowing from experiences abroad as well as at home.

But perhaps more important than finding the inspirations for his company's ideology, Hoshi's trip opened doors to connections with men like Gotō Shinpei, Sugiyama Shigemaru, and Itō Hirobumi. These connections, which linked private business to nation to empire, were the foundations upon which Hoshi Pharmaceuticals' was built. The self-made man and his company were certainly not self-made.

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<sup>163</sup> See Steven Bryan, *The Gold Standard at the Turn of the Twentieth Century: Rising Powers, Global Money, and the Age of Empire* (New York: Columbia University Press, 2010).

## Chapter 2 -- Selling Civilization: Patent Medicines and Chain Store Networks

Before Hoshi Pharmaceuticals entered the global opium trade and engaged in the investment and management of plantations in Peru and Taiwan, it made a name for itself as a maker of patent medicines (*baiyaku*), or what we today call "over-the-counter" or non-prescription medicines in everyday use. While competitors like Sankyō, Takeda, and Dai Nippon focused on prescription drugs (*kyokuhōhin*), Hoshi instead concentrated on medicines for the mass market. By 1923, its capitalization of 50 million yen dwarfed its competition: in 1923, Sankyō had 12 million yen while Dai Nippon had 1.5 million yen, and Takeda reached 5.3 million yen in 1925.<sup>1</sup> In the words of one scholar, "although it was weak in drugs for medical practitioners (*ika muke ni yowakatta*)," "Hoshi achieved great success (*dai katsuyaku*)...largely because of its focus on family medicines (*katei iyaku*), and especially Hoshi Stomach Medicine."<sup>2</sup>

The Japanese word for patent medicines, *baiyaku*, literally means "drugs to be sold," and indeed, the quality of Hoshi's medicines seemed to matter less than how the company sold them. Hoshi marketed its medicines as embodiments of modern, healthy living and as essentials in public health and hygiene campaigns. The company claimed

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<sup>1</sup> Sankyō kabushiki gaisha, ed., *Sankyō hyaku-nen shi: shiryōhen* (Tokyo: Sankyō kabushiki gaisha, 2000), 52; Takeda yakuhin kōgyō kabushiki gaisha, *Takeda ni-hyaku nen shi: shiryōhen* (Osaka: Takeda yakuhin kabushiki gaisha, 1983), 302; Dai Nippon seiyaku kabushiki gaisha, *Dai Nippon seiyaku 100 nen shi* (Osaka: Dai Nippon seiyaku kabushiki gaisha, 1998), 436. Founded in Yokohama in 1899, Sankyō was famous for hormonal-based drugs like adrenaline. Osaka-based Takeda was founded in 1781 as a Chinese medicine trader, and switched to trading Western medicines since the Meiji era. In the interwar era, it was known for its sedatives and anesthetics. The state-funded Dai Nippon was founded in Tokyo in 1896 as Japan's first pharmaceutical company. Its early medicines included iodine and digitalis. Sankyō, Takeda, and Dai Nippon were Hoshi's major competitors in the manufacture of alkaloids like cocaine, morphine, and quinine.

<sup>2</sup> Matsue Mitsuyuki, *Takeda yakuhin to Taishō seiyaku* (Tokyo: Hyōgen sha, 1956), 40.



that selling its medicines aided state projects to spread civilizing ideas in both the empire and the under-developed countryside. To create demand for its drugs, the company made extensive use of print media and advertising practices such as branding and sloganeering. To provide consumers with easy access to its goods, it maintained an extensive network of chain stores across Japan's empires, with shops located in high-traffic urban intersections as well as the most remote mountain village.

With advertisements strewn across billboards and displayed in newspapers and magazines, the company became an emblem of modern life and hygienic modernity during the interwar years. The company sold medicines and household goods in the name of civilization and modernity, thus inviting consumers to participate in what Harry Harootunian calls the "fantasy of modern life."<sup>3</sup>

It was a social discourse of everyday modern life, often called *bunka seikatsu* (cultural living) by contemporaries, that constantly announced itself in mass media like popular magazines, newspapers, advertisements, radio, and movies, pointing to the ceaseless changes in material life introduced by new consumer products and a conception of life vastly different from the rhythms of received, routine practices.<sup>4</sup>

In the early 1920s -- which was the heyday of Hoshi -- this "cultural living" was coded as urban, profligate, liberating, and American. And it created new identity tropes that flouted -- and, to some, threatened -- social values and distinctions, most notably, the "modern girl" and "modern boy."<sup>5</sup>

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<sup>3</sup> See Harry Harootunian, *Overcome by Modernity: History, Culture, and Community in Interwar Japan* (Princeton, NJ: Princeton University Press, 2000), 3-33.

<sup>4</sup> Ibid., 13.

<sup>5</sup> In the English-language Japan field, see, for example, Jordan Sand, *House and Home in Modern Japan: Architecture, Domestic Space, and Bourgeois Culture* (Cambridge, MA: Harvard University Asia Center, 2003); Miriam Silverberg, *Erotic Grotesque Nonsense: The Mass Culture of Japanese Modern Times* (Berkeley, CA: University of California Press, 2007) and Barbara Sato, *The New Japanese Woman: Modernity, Media, and Women in Interwar Japan* (Durham, NC: Duke University

But for Hoshi Pharmaceuticals, it was the bottom line that counted: the social changes brought about by mass consumer culture were all well and good as long as they helped the company sell to the masses. Chain stores and mass advertising reflected global trends for increased rationalization and control over the market. Like other manufacturers of the times -- particularly of cosmetics and household goods -- Hoshi borrowed and adapted these technologies to help improve efficiency and increase control in order to manage the uncertainties of distribution. Hoshi's cooperative chain store network helped the company reduce costs by cutting out middlemen and by forging concrete bonds with sellers to ensure that they promote its products. Its marketing campaigns, which promoted progress and civilization through the consumption of its products, attempted to influence consumers' desires and demands. They were attempts to rationalize the irrational nature of human behavior.

The fact that Hoshi focused on medicines gave it a marketing advantage that other consumer products manufacturers such as Ajinomoto or Kaō did not have.<sup>6</sup> The company claimed that because medicines save lives and protect bodies from disease, they have an intrinsic value that goes beyond what the market determines. The business of

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Press, 2003). In the English-language China field, there have been a profusion of books about a "Shanghai modern" in recent years. See, for example, Lee Ou-Fan Lee, *Shanghai Modern: The Flowering of a New Urban Culture in China* (Cambridge, MA: Harvard University Press, 1999); Wen-Hsin Yeh, *Shanghai Splendor: Economic Sentiments and the Making of Modern China, 1843-1949* (Berkeley, CA: University of California Press, 2007); and Hanchao Lu, *Beyond the Neon Lights: Everyday Shanghai in the Early Twentieth Century* (Berkeley, CA: University of California Press, 1999).

<sup>6</sup> Kaō kabushiki gaisha, ed., *Kaō, 120-nen: 1890-2010-nen* (Tokyo: Kaō kabushiki gaisha, 2012); Raion kabushiki gaisha, ed., *Raion 100-nen shi: itsumo kurashi no naka ni* (Tokyo: Raion kabushiki gaisha, 1992).

health transcends other businesses because of the notion that there is no price too heavy for good health; therefore, the company reasoned, it's simply common sense to pay trifling prices for over-the-counter medicines that would soothe or even prevent a burdensome illness. This advantage was why Hoshi Hajime entered the medicine business in the first place.

But to the Japanese medical establishment of the time, patent medicines were not "true" scientific medicines, but mere consumer goods people purchased based on easily influenced, impulsive desires. Like other patent medicine producers of its time, Hoshi Pharmaceuticals recognized this. In response, it heavily advertised its patent medicines as "modern" and "scientific" in order to profit from patent medicines' in-between place between market value and "priceless" humanitarian worth. It was not by accident that in the course of the first half of the twentieth century, the term "*baiyaku*" for "drugs to be sold" was gradually replaced by "family medicines" (*kateiyaku*) in advertising discourse.<sup>7</sup>

### *Patent Medicines, Civilization, and Public Health*

In a May 29, 1913 interview published in the Japanese colonial newspaper, the *Taiwan nichichi shinbō* (*Taiwan Daily News*), Hoshi Hajime outlined his ideas concerning the role of patent medicines in the development of Japan as a nation and an empire. Titled, "Civilized Nations and Patent Medicines" (*Bunmeikoku to baiyaku*), Hoshi stated:

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<sup>7</sup> Susan Burns, "Marketing 'Women's Medicines': Gender, OTC Herbal Medicines and Medical Culture in Modern Japan," *Asian Medicine* vol. 5, no. 1 (2009), 148.

Why are patent medicines so popular in civilized nations? Let me give you one example. Last night I caught a cold, and in the morning I had a terrible headache and no appetite. This pain, which I would have had to endure for three or four hours -- or perhaps for as long as one day -- was cured after only one or two hours by taking a single dose of medicine that costs a mere one or two sen. In this terribly competitive world, are there still stupid people who would not do such a thing?<sup>8</sup>

Hoshi expressed the idea of civilization (*bunmei*) as productive capacity:

In civilized nations a single dose of medicine would allow a man to be able to carry out the daily tasks in his life; after twelve hours or so, he would be back to normal and be able to cheerfully perform his duties...But in nations where medicine has not progressed, this headache would cause a lot of worry and negatively influence the functions of household and workplace.<sup>9</sup>

Medicines, Hoshi argued, have a social use value; while the health and well-being of individuals were vital, it was also important in that they allowed people to carry on with their duties, both inside and outside the home, and avoid disrupting the rhythms of civilized production. Hoshi expressed civilization in comparative and teleological terms:

In our nation [Japan], the average person spends 55 sen on patent medicines in a year. Although this has increased rapidly over the years, the average person in the United States, by comparison, consumes five yen worth of patent medicines per year. In a few years time, average consumption in our nation will increase to one yen, then to two, then to three until it reaches a level equivalent with the United States.<sup>10</sup>

Hoshi ended his interview by stating, "My company is a pioneer in the spread of preventative family medicines...Because of the climate in Taiwan, a lot of people depend

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<sup>8</sup> "Bunmeikoku to baiyaku," in *Taiwan nichi nichi shinpō*, May 29, 1913.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

on patent medicines, it is my hope that we can work together to spread better patent medicines here."

Although Hoshi spoke about conditions in Taiwan, his words could easily have applied to situations within Japan, particularly in the underdeveloped rural countryside.<sup>11</sup> A November 1, 1913 article in the company newspaper, for example, argues that taking patent medicines often eliminated the need to see doctors, prevented illness, and, in "mountainous, remote regions" (*sankan hekichi*) provided the "only common form of health care" (*tsūzoku eisei yuiitsu no kikan*).<sup>12</sup> Another article on November 1, 1915 celebrated the usefulness of Hoshi's "Household Safety Box" (*Katei anshin hako*) to relieve symptoms while waiting for a doctor to come.<sup>13</sup> To Hoshi, Japan and Taiwan were on the same line of civilizational development, and the division between city and countryside was what mattered most.

Hoshi's ideas about patent medicines and civilizational development, however, were at odds with the Japanese medical establishment's views of patent medicines at the time, which was now based on Western medical standards. Indeed, the Meiji government's effort to construct a modern public health system was accompanied by a campaign, led by advocates of Western medicine, to curb the influence of Japan's indigenous patent medicine industry. Patent medicines -- as well as "traditional"

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<sup>11</sup> The *Taiwan nichichi shinpō* was the official government newspaper in Taiwan, and had the highest circulation out of all newspaper dailies.

<sup>12</sup> Matsu Shū, "Baiyaku no konjyaku," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1913.

<sup>13</sup> "Isha ga kuru made," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1915.

indigenous practices like acupuncture, moxibustion, and forms of midwifery -- fell under attack for being "unscientific," despite their popularity and widespread use.<sup>14</sup>

Patent medicines had their counterparts all over the world, and the controversy between them and modern regimes of medicine and public health was not solely a Japanese phenomenon. The term patent medicines originated in England when royal patents were granted for medicines, even though the content of these often homemade concoctions remained unknown. In the United States, patent medicines were not registered with the U.S. Patent Office, but were "proprietary medicines" with secret formula, trademarked to maintain the secrecy of their ingredients.<sup>15</sup>

Recent scholarship has highlighted how modern regimes of medicine and public health shed light on the construction of nations and empires, the social relationships between peoples, and the geopolitics and global connections in modern Japan and East Asia.<sup>16</sup> In the words of one scholar, "modernization was, in a certain sense, a 'medicalization of society.'"<sup>17</sup> Supporting policies that adhered to the slogans of "enrich the country, strengthen the military" (*fukoku kyōhei*) and "civilization and enlightenment"

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<sup>14</sup> See, for example, Julie Rousseau, "Enduring labors: The 'New Midwife' and the Modern Culture of Childbearing in Early Twentieth Century Japan," Ph.D. Dissertation, Columbia University, 1998.

<sup>15</sup> Jeremy Agnew, *Medicine in the Old West: A History, 1850-1900* (Jefferson, NC: McFarland and Company, 2010), 181-184.

<sup>16</sup> See, for example, William Johnston, *The Modern Epidemic: A History of Tuberculosis in Japan* (Cambridge, MA: Harvard University Asia Center, 1995); Ruth Rogaski, *Hygienic Modernity: Meanings of Health and Disease in Treaty-Port China* (Berkeley, CA: University of California Press, 2004); Michael Liu, *Prescribing Colonization: The Role of Medical Practices and Policies in Japan-Ruled Taiwan, 1895-1945* (Ann Arbor, MI: Association for Asian Studies, 2009); Susan Burns, "Constructing the National Body: Public Health and the Nation in Meiji Japan," in Timothy and Brook and Andre Schmid, eds., *Nation Work: Asian Elites and National Identities* (Ann Arbor: University of Michigan Press, 2000), 17-50.

<sup>17</sup> Hoi-eun Kim, "Physicians on the Move: German Physicians in Meiji Japan and Japanese Medical Students in Imperial Germany, 1868-1914," Ph.D. dissertation, Harvard University, 2006, 9.

(*bunmei kaika*), the Meiji government pursued an aggressive policy of institutionalizing Western medicine. Such is the story of hygienists like Nagayo Sensai (1838-1902), statesmen like Gotō Shinpei, and bacteriologists like Kitasato Shisaburō (1853-1931), who laid the foundations for Japan's modern system of state-licensed medicine and public health based, in good part, on German ideals.<sup>18</sup> Through medical schools, the establishment of "sanitary police" (*eisei keisatsu*), and quarantine stations, authorities worked to eradicate infectious diseases such as cholera and typhus and sexually-transmitted afflictions like syphilis and gonorrhea; established asylums for the mentally ill; and encouraged such hygienic practices as washing hands and adopting Western-style hairstyles and clothes.<sup>19</sup> The government also gathered statistical data on Japanese citizens, including average height, weight, chest dimension, life expectancy, disabilities, contagious diseases, and infant mortality.<sup>20</sup> These efforts were regarded as important for the strength and fitness of Japan as a nation and empire -- and the project of modernity itself -- in both the literal and metaphorical sense of the "body politic."

In this environment, traditional medicine faced increasing official disdain, even hostility. Patent medicines first appeared in Japan in the early modern period. Known as "bought medicines" (*kaigusuri*) or "combined medicines" (*aigusuri*), they were produced by doctors, Shinto priests, and Buddhist monks. Largely composed of

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<sup>18</sup> See Ann Jannetta, "From Physician to Bureaucrat: The Case of Nagayo Sensai," in *New Directions in the Study of Meiji Japan*, edited by Helen Hardacre (Leiden, Netherlands: Brill, 1997); James Richard Bartholomew, "The Acculturation of Science in Japan: Kitasato Shisaburō and the Bacteriological Community, 1885-1920," Ph.D. Dissertation, Stanford University, 1971.

<sup>19</sup> Susan Burns, 146-172.

<sup>20</sup> Susan Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan," in *Looking Modern: East Asian Visual Culture from Treaty Ports to World War II*, edited by Jennifer Purtle and Hans Bjarne Thomsen (Chicago: Center for the Art of East Asia, Department of Art History, University of Chicago, 2009), 184.

mixtures of Chinese herbs, their exact formulae were kept secret. They were frequently sold with divinatory phrases and blessings, which cultivated religious and often mystical beliefs in their efficacy. Most were sold in temples and shrines or along streets near these places of worship. After the unification of Japan under the Tokugawa shogunate in the early seventeenth century, patent medicines began to spread across Japan as itinerant monks produced, carried, and sold medicines during their pilgrimages across Japan.<sup>21</sup> Popular early-modern patent medicines included *Hangontan*, a remedy for stomachaches, *Shinyaku*, an anti-diarrheal medicine, and *Kyūmeigan*, a medicine for relieving nighttime crying and convulsions in infants. The popularity of these medicines continued well into the twentieth century.

At the turn of the twentieth century, the patent medicine industry was thriving globally. Consisting of ornately packaged pills, elixirs, tonics, and potions, patent medicines were defined as alternatives to conventional medicines prescribed by doctors. Sold by pharmacies, itinerant salesmen, or even licensed medical practitioners looking to supplement their incomes, patent medicines allowed for self-medication without the need for a doctor or nurse. Patent medicines were less expensive and more easily accessible for the vast majority of the population, especially in rural regions. In the United States, for example, the scarcity of doctors in frontier towns, coupled with the high cost of medical care, created an enormous demand for these medicines in the westward expansion of the United States in the late nineteenth and early twentieth century.<sup>22</sup> Similar to Japan, patent medicines invited skepticism and controversy because of their

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<sup>21</sup> Amano Hiroshi, *Gaisetsu kusuri no rekishi* (Tokyo: Yakuji nippōsha, 2000), 38.

<sup>22</sup> Agnew, 181-184.



lack of oversight and regulation. One of the great patent medicine magnates in nineteenth-century America likened patent medicines to a form of faith healing, which "arose from 'the belief of the buyer in the efficacy of the product.'"<sup>23</sup> To combat poisonings and curb manufacturer's misdeeds, the United States passed the Food and Drug Act of 1906, which required producers to list their ingredients, and also prohibited the use of narcotics like cocaine and morphine.

Throughout the late-nineteenth and early-twentieth centuries, the Meiji government in Japan took an adversarial stance against patent medicine vendors. In 1870, the government promulgated the "Regulations on the Management of Patent Medicines" (*baiyaku torishimari kisoku*). This law attempted to regulate the contents of patent medicines by creating a centralized system to analyze their contents and gauge their efficacy, and to regulate advertising by prohibiting the use of terms such as "secret formula" and "secret family transmission." Although this law was repealed in 1872 because there were too many medicines to review but too few regulators, the government promulgated two additional laws in 1877 and 1882 that taxed the manufacture and sale of patent medicines, with the proceeds of these taxes earmarked for the establishment of the Bureau of Hygiene" (*eisei kyoku*). The former, the "Regulations for Patent Medicines" (*baiyaku kisoku*) required manufacturers, retailers, and peddlers to pay licensing fees on medicines. The "Stamp Tax on Patent Medicines" (*baiyaku inshi zei*), which lasted until 1926, levied a tax of ten percent on the retail price of every patent medicine sold, and

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<sup>23</sup> His name was Benjamin Brandreth. Quoted in K. Patrick Ober, *Mark Twain and Medicine: Any Mummy Will Cure* (Columbus, MO: University of Missouri Press, 2003), 62.

declared patent medicines subject to the same taxation as tobacco and alcohol, which were deemed "unnecessary for daily life."<sup>24</sup>

Meanwhile public intellectuals took up the subject. They included one of the most famous Meiji figures, Fukuzawa Yukichi (1835-1901), founder of what became Keio University, publisher of the newspaper, *Jiji shinpō*, and author of popular works like *An Encouragement of Learning* (*Gakumon no susume*) and *An Outline of a Theory of Civilization* (*Bunmeiron no gairyaku*) that helped define the sensibilities of a Westernizing elite -- and striving to be elite -- class. Using his influential newspaper as his pulpit, in 1882 and 1883, Fukuzawa wrote a series of essays entitled "Comments on Patent Medicines" (*Baiyakuron*) that supported a stamp tax on patent medicines to discourage their sale and fund the establishment of a modern public health system. He regarded patent medicines as unscientific placebos that duped the public at best and poisoned it at worst. In 1882, an association of patent medicine vendors sued Fukuzawa for slander.<sup>25</sup> They countered that a tax on patent medicines was an attack on the health of rural society because patent medicines provided essential medical care where doctors were scarce. They also argued that patent medicines provided an indigenous system of public health for land-locked, distant mountain regions where transportation, especially during the winter months, was difficult.<sup>26</sup>

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<sup>24</sup> Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan," 184-185; Nishikawa Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tokyo: Yakuji nippōsha, 2010), 25-26; Shimizu Tōtarō, *Nihon Yakushigaku* (Tokyo: Nanzandō, 1949), 199.

<sup>25</sup> Amano, 108-112.

<sup>26</sup> Nishikawa, 25-26; See, for example, "Baiyaku inshi chōyō haishis eigan," *Toyama nippō*, February 5, 1897, reprinted in *Toyama-ken yakugyō shi, shiryō shusei*, vol. 1. (Tokyo: Maruzen, 1983), 257-258.

Although Fukuzawa was eventually found not guilty in 1885, his trial set the terms of the debate over patent medicines and their role in public health. On one side were urban intellectuals like Fukuzawa, joined by doctors and scientists educated in modern Western medicine, who sought to eliminate the superstitions they associated with patent medicines and replace them with scientifically-based modern drugs. On the other, were patent medicine vendors, who fought for their livelihoods by positioning their products as a defense of the "common people" (*jōmin*) against the incursions of the state.

The debate set forth between Fukuzawa and the patent medicine vendors continued into the early twentieth century as state-sponsored forms of Western medicine remained out-of-reach for broad swaths of the rural population. The availability of doctors, access to hospitals, and hygienic technologies like quarantine were limited to major cities and trading ports. As late as 1922, the ratio of medical practitioners to inhabitants was 15.5 per 10,000 inhabitants for Tokyo, followed by 10.99 per 10,000 for Kyoto, but only 4.35 per 10,000 for mountainous, rural locales like Aomori or Gunma.<sup>27</sup> But even if some could afford Western medicines, it did not mean that they used them. The benefits of modern medical treatments and practices such as surgery were still risky, and had not even become widespread in developed nations like the United States, let alone in Japan.<sup>28</sup> If, as Gotō Shinpei had famously declared in 1902, modern medicine

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<sup>27</sup> The Annual Report of the Sanitary Bureau of the Home Department of the Japanese Imperial Government," Tokyo, 1922, 56-57. In the 1920s and 1930s, government authorities recognized this as a legitimate social concern, and sought measures to lower the cost of doctors' check-ups and the medicines they prescribed. This movement culminated with the institution of a national health insurance system that attempted to regulate the price of medical check-ups and certain key medicines ("Naimushō, Isha no yakka ni kanshō," in *Toyama nippō*, June 30, 1925, reprinted in *Toyama-ken yakugyō shi, shiryō shusei*, 296).

<sup>28</sup> As Jeremy Agnew argues, part of the reason patent medicines were popular in the United States in the "Old West" was because of the limited reach of medical treatment in frontier regions (see Agnew, 2010). According to sales figures on *Toyama baiyaku*, from 1917, the frontier of Hokkaidō was by

was Japan's religion, then, as any medical missionaries undoubtedly found, it was tough to change peoples' beliefs.

Sensing an opportunity for profit, Hoshi Pharmaceuticals intervened in this debate by providing a middle-of-the-road solution to appeal to all parties. The company's goal was to "popularize patent medicines for the masses" (*baiyaku no minshūka*), by reaching out to the countryside where doctors and modern medical care were still scarce. It would provide low cost medicines to help cure diseases and protect the health of the people and defend the body politic. Because it was a company "founded on the principles of science," it would help reform the industry by "spreading good medicines to influence the productive power of the nation."<sup>29</sup> Such ideas resonated with concurrent campaigns to use science to revive herbal medicines.<sup>30</sup> Hoshi was one of many patent medicine makers like Morishita Yakubō and Tsumura Juntendō who created "modern" patent medicines that purported to adhere to the principles of Western medical science.<sup>31</sup>

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far the highest revenue grossing domestic region, followed by mountainous, rural regions like Niigata and Aichi as second and third, respectively (Naimushō, *Isha no yakka ni kanshō*," in *Toyama nippō*, June 30, 1925, reprinted in *Toyama-ken yakugyō shi, shiryō shusei*, 296).

<sup>29</sup> "Isha ga kuru made," November 1, 1915; Matsu Shū, "Baiyaku no konjyaku," November 1, 1913; "Bunmeikoku to baiyaku," May 29, 1913; "Baiyaku no minshūka," in *Hoshi seiyaku kabushiki gaisha shahō*, October 15, 1924.

<sup>30</sup> Attempts to not only revive Chinese medicine, but to make it "scientific" occurred, most notably in the mid-1920s with the "Movement to Revive Chinese Medicines" (*kanpō fukkō undo*) led by the popular Japanese journalist Nakayama Tadanao, which had its offshoots across East Asia (Nakayama Tadanao, "Kanpō igaku fukkō ron," in *Nihon oyobi nihonjin*, no. 109 (October 1926). In Taiwan, for example, the most famous doctor of his time, To Somei (Du Congming) (1893-1986) was the leading proponent of fusing Western science to Chinese medicine. See To Somei, "Kan'igaku no kenkyū hōhō ni kansuru kōsatsu," *Taiwan*, no. 224 to 254 (September 1928 to April 1928). Also see Bridie Andrews, *The Making of Modern Chinese Medicine* (Cambridge, UK: Cambridge University Press, 2004); Sean Hsiang-lin Lei, "When Chinese Medicine Encountered the State: 1910-1949," Ph.D. dissertation, University of Chicago, 1999.

<sup>31</sup> Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan, 187-200.

### *Rationalizing the Irrational*

Despite regulations and rhetoric aimed at driving the industry out of business, the patent medicine industry thrived in modern Japan. As small-scale vendors and manufacturers left the business, the industry consolidated and revenues increased markedly. From 1876 to 1916, total government tax revenues rose from 28,455 yen to 2,965,624 yen.<sup>32</sup> In the patent-medicine producing center of Toyama Prefecture, for example, vendors joined together to form modern shareholding corporations such as Kōkandō and Shitendō, applying scientific techniques to produce and sell their products.<sup>33</sup> From 1883 through the peak around 1935, the number of workers involved in manufacturing increased from 262 to 1,713, the number of workers in resale from 797 to 4,241, and the number of itinerant peddlers who traversed Japan, from 812 to 13,220.<sup>34</sup>

The primary reason for this success was advertising. Patent medicine manufacturers relied on advertising because of the nature of the product. Indeed, the Japanese term for patent medicines, "baiyaku," literally meant medicines to be sold. By definition, baiyaku were not prescription drugs (*kyokuhōhin*), which, according to Japan's Pharmaceuticals Law (*Yakkyokuhō*), were regulated to be uniform in quality and price, with demand determined by the necessities of the market. Hoshi's first medicine,

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<sup>32</sup> *Toyama-ken yakugyō shi tsūshi, shiryō shusei: tōkei*, vol. 2 (Tokyo: Maruzen, 1983), 3.

<sup>33</sup> Kōkandō kabushiki gaisha, ed., *Kōkandō no ayumi* (Toyama, Japan: Kōkandō kabushiki gaisha 1956).

<sup>34</sup> *Toyama-ken yakugyō shi tsūshi, shiryō shusei: tōkei*, vol. 2 (Tokyo: Maruzen, 1983), 7-8.

ichtyol, had been no different from any other manufacturer's version. But this was not the case with patent medicines, which were branded goods (*meigarahin*).<sup>35</sup>

Desire, demand, and difference had to be created. In order to make their medicines stand out from those of the competition, patent medicine manufacturers everywhere sold their products in uniquely shaped packages with colorful, eye-catching labels. Because customers did not know -- and, indeed, could not know -- what they were buying, manufacturers spent money and effort to describe the ailments the medicines would cure. These descriptions often took a scattershot approach, in which medicines were frequently sold as panaceas that could cure a laundry list of everyday ailments ranging from cramps, heartburn, and flatulence to serious conditions like jaundice, yellow fever, gonorrhea, and tuberculosis. Manufacturers, in this way, used advertising to "rationalize" seemingly irrational human tastes and preferences. The goal was to create consumer desire for their medicines, which consumers likely did not previously have.

In the late eighteenth and early nineteenth centuries, the British firm Burroughs Wellcome and Company dominated the pharmaceutical industry in the United Kingdom by making use of "American methods" of marketing medicines.<sup>36</sup> In Japan, patent medicine vendors similarly flourished with the growth of advertising. In the early modern period, patent medicine vendors distributed handbills, often adorned with the faces of famous Kabuki actors or with terms such as "secret family transmission" (*kanden*

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<sup>35</sup> Jinbo Mitsuhiro, "Wagakuni yiyakuhin gyōkai ni okeru senkuteki hanbai soshiki," *Keieishigaku*, vol. 43, no. 2 (2008), 11; Amano Hiroshi, *Gaisetsu: Kusuri no rekishi* (Tokyo: Yakuji nippō-sha, 2000), 114-115.

<sup>36</sup> Roy Church and E.M. Tansey, *Burroughs Wellcome and Co.: Knowledge, Trust, Profit and the Transformation of the British Pharmaceutical Industry, 1880-1940* (Lancaster, UK: Crucible Books, 2007), 41-72.

*hiyaku*) and "divine gift" (*shinju*).<sup>37</sup> The rapid growth of patent medicine advertising continued into the modern era, spurred by the expansion of print advertising at-large, and particularly the growth of daily national newspapers like *Tokyo nichichi shinbun* and *Yomiuri shinbun*. Just as the growth of railroads linked societies, cutting space and time, newspapers provided the backbone for an expanding national market.<sup>38</sup> Newspapers provided the main medium that allowed manufacturers to market to the masses, and as readership exponentially increased, so did the intensity with which manufacturers advertised their products. In fact, one of the leading patent medicine producers in the late nineteenth century, Kishida Ginkō (1833-1905), who produced the eyewash *Seikisui*, was the publisher of the *Tokyo nichichi shinbun*.<sup>39</sup> Indeed, one of Fukuzawa's major complaints against patent medicine manufacturers like Kishida was how they used newspaper advertising to influence consumer choices. In an editorial, he wrote:

If you look at the advertising section of the various newspapers of today, you will see that there are many more handbills (*hikifuda*) for patent medicines [than for any other product]. And in only these handbills, in addition to words, drawings (*zu*) and pictures (*e*) have been added in order it seems to capture people's attention. If you think about the inner workings of the newspaper business...in Japan newspapers are something of consequence to the lower classes, and so lower-class people do not question whether a patent medicine is good or bad; rather, they just rely upon the newspaper and think if a medicine has appeared in the paper, there is nothing to worry about, and they take it without question. And

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<sup>37</sup> Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan," 180-184.

<sup>38</sup> See, of course, Benedict Anderson, *Imagined Communities* (London and New York: Verso, 1983).

<sup>39</sup> Kishida, along with Morita Jihei (1841-1912) who produced the stomach remedy that also relieved the harsher symptoms of cholera, Hōtan, were the major leaders of the lawsuit against Fukuzawa. Nishikawa Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tokyo: Yakuji nippōsha, 2010), 68; *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku, 1929), 28-29.

so the newspapers have become nothing more than lantern bearers (*chōchinmochi*) for patent medicine makers.<sup>40</sup>

As a former newspaperman, Hoshi Hajime was well aware of the power of advertising. A December 1, 1915 article in the company newspaper titled, "The Key to Increasing Sales" (*Hanbai zōshin no hiketsu*), stated that "no matter what industry, in these present, civilized times (*genkon bunmei no yo*)," all successful businesses "employ advertising to introduce their products and attract customers."<sup>41</sup> This was "absolutely necessary for goods that were not necessary for everyday life (*nichijō ni arazaru*) such as patent medicines and cosmetics," which necessitated advertising to influence consumers to purchase them.<sup>42</sup> Indeed, from the beginning of the Meiji era, patent medicines and cosmetics, along with publications, were two of the "three big advertisers" (*sandai kōkoku*).<sup>43</sup> In structuring its advertising schemes and in formulating its civilizing message, Hoshi Pharmaceuticals undoubtedly borrowed ideas from other leading advertisers of the times, which included cosmetics companies like Shiseidō, Lion, and Kao; publishing empires like Hakubunkan, the publisher of *Taiyō*; and patent medicine makers like Morishita Yakubō, whose "Uncle Moustache" (*Hige no ojisan*) symbol bore a striking (and likely purposeful) resemblance to a young Meiji emperor.<sup>44</sup>

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<sup>40</sup> Quoted from Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan, 186.

<sup>41</sup> "Hanbai zōshin no hiketsu," in *Hoshi seiyaku kabushiki gaisha shahō*, December 1, 1915.

<sup>42</sup> Ibid.

<sup>43</sup> Uchikawa Yoshimi, *Nihon kōkoku shi*, vol. 1 (Tokyo: Dentsu, 1976), 109.

<sup>44</sup> A great collection of Morishita Yakubō's advertisements is to be found in Machida Shinobu, editor, *Jintan wa, naze nigai?: Meiji, Taishō-ki no yakuhin kōkoku* (Tokyo: Boranteia jōhō nettowaaku, 1997). For a discussion of Shiseidō's advertising, see Chapter 2 of Wada Hirofumi, *Shiseidō to iu bunka sochi, 1874-1945* (Tokyo: Iwanami shoten, 2011). Lion, Kao and Hakubunkan have corporate histories: *Raion 100-nen shi: itsumo kurashi no naka ni* (Tokyo: Raion, 1992), *Kaō, 120-nen: 1890-2010-nen* (Tokyo: Kaō, 2012), and *Hakubunkan go-jū nen shi* (Hakubunkan, 1937). Sherman



Hoshi Pharmaceuticals' approach to advertising was one of mass saturation. This included placing advertisements in popular newspapers and women's magazines and also in specialized pharmaceutical and trade magazines. The company made use of other forms of advertising, including wooden placards, billboards along railway tracks, leaflets and handbills, posters, window displays and illuminations in its stores, exhibition displays, flags, motion pictures, and even toy airplanes.<sup>45</sup> In addition, Hoshi published and circulated its own newspapers such as the *Flower of the Home (Katei no hana)*, which later became *Hoshi Family Newspaper (Hoshi katei shinbun)* and *Hoshi Children's Newspaper (Hoshi kodomo shinbun)*, which were circulated by chain stores for free, and provided information about how to cure daily illnesses and maintain a healthy way of living. In an effort to cultivate the idea of "self-medication" so necessary for the sale of over-the-counter medicines and household products, the company published textbooks like the *Patent Medicine Handbook (Baiyaku yomihon)*, *Cosmetics Handbook (Kesshō yomihon)*, and its own medical dictionary for family use.<sup>46</sup> Hoshi wanted consumers to think its products were synonymous with nearly every aspect of a hygienic and cultured lifestyle.

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Cochran has a short summary of Morishita Yakubō, which was a model for Chinese patent medicine producers, in *Chinese Medicine Men: Consumer Culture in China and Southeast Asia* (Cambridge, MA: Harvard University Press, 2006), 44-51. Susan Burns provides the best and most succinct analysis of patent medicine advertising in her aforementioned, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan."

<sup>45</sup> Otsuka Katsuichi, "Hoshi seiyaku no kōkoku mō," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1922.

<sup>46</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi katei yisho* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923); Hoshi seiyaku kabushiki gaisha, *Kesshō yomihon* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1926); Hoshi seiyaku kabushiki gaisha, *Baiyaku yomihon* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1934).

Research was an important aspect to the company's advertising. In a 1922 article describing the company's promotional network, the head of the Advertising Section (*kōkoku-ka*), Ōtsuka Katsuichi, described its use of empirical data to network to the masses. First and foremost, the company gathered precise data concerning the circulation of newspapers. He stated that the company advertised in all fifteen dailies in Tokyo, five in Osaka, and in 220 of the more than 300 regional newspapers.<sup>47</sup> Estimating that one newspaper reached an average of 4,050 households, Ōtsuka boasted that in one month, ads reached more than 891,000 households, and 10,692,000 households in one year: "If one were to line up all of the characters used side-by-side, then it would equal 1,496,880 shaku (1 shaku = 30.3 cm) or about 121 times the height of Mt. Fuji!" The company's advertisements not only "stroved for truthfulness in every single word and phrase (*ichiji ikku*)" but also chose fonts and letters that "created, step-by-step, a steady foundation" that would be easy on viewers' eyes and prevent them from wandering. At its peak, Hoshi spent upwards of 200,000 yen per month on advertising.<sup>48</sup>

Hoshi assiduously attempted to create a nationally recognized brand. When it started out in the early twentieth century, Hoshi Pharmaceuticals was unknown, but the company's plan was to spread its name as widely as possible to gain national recognition. Rather than create specific names for each of the medicines and products it sold, the

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<sup>47</sup> Ōtsuka Katsuichi, "Hoshi seiyaku no kōkoku mō," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1922.

<sup>48</sup> Ōtsuka, January 1, 1922; Ōyama, 139. If using the Consumer Price Index as a measure, 200,000 yen in 1923-1924 is equivalent to 210 million yen today. See Lawrence H. Officer and Samuel H. Williamson, "Five Ways to Compute the Relative Value of a Japanese Yen Amount, 1879 - Present," *MeasuringWorth*, 2013. <<<http://www.measuringworth.com/japancompare>>>

company simply attached the Hoshi name as a modifier to the generic name. The company was selling itself as much as it was selling its products.

As the "Woolworth's of Japan," the sheer number of goods Hoshi produced made this strategy a necessity.<sup>49</sup> A 1924 product catalogue listed over 150 different products divided into five major categories: patent medicines (*baiyaku*), pharmaceuticals (*seiyaku seihin*), cosmetics (*kesshōhin*), foodstuffs (*shokuhin*), and household goods (*katei yōhin*). Pharmaceuticals produced for licensed pharmacies and drug providers, both domestic and international, adhered to standards and regulations set by Japan's pharmaceutical regulations as well as those of Britain, the United States, Germany, and Italy.<sup>50</sup> The company's major pharmaceuticals consisted primarily of alkaloids like morphine, cocaine, and quinine, but also included vaccines. Hoshi's patent medicines included modern charcoal tablets (*Hoshi chaacooru jō*), anti-diarrheals (*Hoshi geridome*), and headache medicines (*Hoshi hedekyūa*) as well as remedies derived from Chinese herbal medicine like Hoshi Ginseng Tablets (*Hoshi jinjinjō*) and traditional patent medicines like the children's' medicine, Hoshi *kyūmeigan*, and the cure-all, Hoshi *rokushingan*.<sup>51</sup> Hoshi's line of cosmetics included whitening powder (*Hoshi mizu oshiroi*) and pomade (*Hoshi bi pomaado*). Its foodstuffs and household goods ranged from green tea (*Hoshi rokucha*) to milk powder (*Hoshi kona miruku*) to crayons (*Hoshi kurewon*) to an electric massager (*Hoshi baibureetaa*). The company even provided a line of patent medicines for livestock that aimed at "curing the sicknesses of expensive cows, horses, and

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<sup>49</sup> Eddie Boyden, "Woolworth of Japan Began Career as Penniless House Servant in San Francisco," in *San Francisco Chronicle*, September 15, 1922.

<sup>50</sup> Hoshi seiyaku kabushiki gaisha, *Seimei enchō: Hoshi no seihin* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1924), 23.

<sup>51</sup> *Ibid.*, 7, 15.

livestock at a small price."<sup>52</sup> In the mid-1930s, the company entered the liquor business with Hoshi Crown Liquors and even the shoemaking industry.

Hoshi made extensive use of slogans. The most famous were "Kindness First (*Shinsetsu daiichi*)" and "Medicines are Hoshi (*Kusuri wa Hoshi*)," which were ubiquitous in the streetscapes of 1920s Japan. According to an article in the company newspaper, such slogans were "brilliant" because they were simple, catchy, and clear, making it easy for even children to remember them. They were also meant to be suggestive (*rensō*): "Medicines are Hoshi includes a deeper meaning: namely, other patent medicines cannot be trusted, and whenever one takes medicine, one had better use Hoshi's."<sup>53</sup>

One of Hoshi's most famous advertisement campaigns, which epitomized its approach to marketing as well as the vast resources it mobilized to sell its products, occurred on May 3, 1923 when airplanes dropped roughly 10,000 handbills on the same day as a full-page advertisement appeared in the paper with these words: "Look at the Ground! Look at the Sky! One controls the sky. One is on the ground, dominating the world of medicines. Medicines are Hoshi. Medicines are Hoshi. From your head to your fingertips and toes, medicines are Hoshi. Medicines are Hoshi!"<sup>54</sup>

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<sup>52</sup> Ibid., 24.

<sup>53</sup> Ōtsuka Katsuichi, "Hoshi seiyaku no kōkoku mō," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1922.

<sup>54</sup> Uchikawa, 214; "Hoshi seiyaku," in *Tokyo asahi shinbun*, May 3, 1923, morning edition.



### *The Case of Hoshi Stomach Medicine (Hoshi Ichōyaku)*

Popular medicines advertised by Hoshi included Hoshi Ginseng Quinine Wine (*Hoshi ninjin kina budōshu*), Hoshi Children's Medicine (*Hoshi shōni gusuri*), and Hoshi Cold Pills (*Hoshi ganbōjō*). But no medicine was advertised more than the famed Hoshi Stomach Medicine (*Hoshi ichōyaku*). Hoshi devoted the greatest effort to its Stomach Medicine, a product synonymous with the company itself: the company boasted that "when one says Hoshi, one thinks of Stomach Medicine, and when one thinks of Stomach Medicine, one thinks of Hoshi."<sup>55</sup> A company pharmacist, Ishizu Risaku, created the medicine and the company began producing the medicine before 1911, when it was still known as Hoshi Pharmaceutical Store (*Hoshi seiyakujō*).<sup>56</sup>

Known as the "red can (*aka kan*)" for its iconic packaging, the Stomach Medicine was "such a famous medicine that no prewar Japanese did not know it."<sup>57</sup> The Stomach Medicine often accounted for more than half of the company's sales.<sup>58</sup> In the ten-year period from 1920 to 1929, the medicine averaged 2,816,530.78 yen worth of sales per year, ranging from a low of 894,086.30 yen in 1920 to a high of 8,364,694.30 yen in 1926.<sup>59</sup>

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<sup>55</sup> "Jōshinsho," from Hoshi Pharmaceuticals to Tokyo Higher Court, June 1932.

<sup>56</sup> "Hoshi ichōyaku [kōkoku]," in *Taiwan nichichi shinpō*, May 15, 1919.

<sup>57</sup> Yamasaki Mitsuo. "Nihon no meiyaku: anshin, yoku kiku, kateijō biyaku -- dai jū-yon kai: Hoshi ichōyaku)." *President*, February, 1999, 228-229.

<sup>58</sup> Ibid., 228-229. Using the Consumer Price Index as a measure, 2,816,530.87 yen in 1923 was worth 2 billion 950 million yen. See Lawrence H. Officer and Samuel H. Williamson, "Five Ways to Compute the Relative Value of a Japanese Yen Amount, 1879 - Present," *MeasuringWorth*, 2013. <<<http://www.measuringworth.com/japancompare>>>

<sup>59</sup> "Jōshinsho," June 1932.

The company likely placed so much emphasis on this medicine because it was novel and it worked. When it was first introduced, it was one of the only mass-produced medicines of its kind for stomach trouble. Other medicines were either taken in liquid form, like Sankyō Pharmaceuticals' digestive enzyme *Taka-diastase* or in pill form, like herb-based indigenous patent medicines such Toyama Baiyaku's *Hangontan*. In contrast, Hoshi Stomach Medicine consisted of a white powder, which was dissolved and ingested as a suspension in water. The two major active ingredients, comprising 93.565% of the compound and giving the medicine its color and consistency, were magnesium carbonate and sodium bicarbonate -- were two compounds that have been and continue to be used to relieve heartburn and acid indigestion (the former is the main active ingredient in Tums and Alka-Seltzer, and the latter is baking soda). The medicine also contained herbal ingredients such as menthol (*mentooru*), cinnamon oil (*keihi yu*), cinnamon powder (*keihi matsu*), colombo powder (*koronbo matsu*), gentian power (*genchiana matsu*), and ginger powder (*shōkyō matsu*).

The medicine was priced according to quantity: a container of 20 doses cost 20 sen; fifty five doses cost 50 sen; 150 doses cost 1 yen; and 235 doses cost 2 yen.<sup>60</sup> Adults were directed to take the medicine three times a day, either an hour before or an hour after meals, by mixing one dose (roughly one gram) in water and drinking the suspension. The medicine served as a panacea for all types of digestive disorders, including nausea (*ōtō*), stomach pains (*ibyō*), vomiting and diarrhea (*tosha*), heartburn (*munetsukae*), indigestion (*shōka furyō*), and chronic stomach and intestinal inflammation

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<sup>60</sup> Hoshi seiyaku kabushiki gaisha, *Seimei enchō*, 1.

(*mansei ichō kataru*). One of the early and enduring slogans for the medicine was simply, "*yoku kiku*" (it's very effective).

No matter how effective the medicine, Hoshi Pharmaceuticals needed to create demand, often by raising public awareness of various ailments and diseases, as well as the company medicines that could help relieve them. An advertisement in the morning edition of the *Yomiuri shinbun* on August 26, 1918 declared that, "Japan is the nation of stomach disease (*ichōbyō koku*)."<sup>61</sup> According to the advertisement, "based on recent statistics, in our country every year 160,000 people die from stomach disease, which is about 1 out of every 6.8 deaths. Before, it was lung disease, but now it is stomach disease."<sup>61</sup> "Compared to Germany, stomach disease is a fierce enemy to be feared by our nation's people."



Fig. 2.2: Advertisement from *Yomiuri shinbun*, August 26, 1918, morning edition

Supporting this idea was a campaign that likened the medicine to a metaphorical "stomach disease hospital (*ichō byōin*)" for household use (*katei yō*).<sup>61</sup> An advertisement from April 12, 1919 described how "each and every day, tens of thousands of stomach

<sup>61</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, August 26, 1918, morning edition.



disease sufferers are completely healed and discharged from the hospital (*taiin*) after taking the medicine."<sup>62</sup> The advertisement depicted a canister of the Stomach Medicine overlaid with an urban streetscape, with a line of people literally walking outside of the canister, representing a return from the confines of illness to participation in everyday activities.



Fig. 2.3: Advertisement from *Yomiuri shinbun*, April 12, 1919, morning edition

Another advertisement on July 8, 1922 printed a fictitious diary of a day in the life of a sufferer from stomach disease (*ichōbyō kansha*). It depicted him as almost no different from any other functional urban, working male: he woke up early, read the paper, went out for breakfast, went to work by train, gossiped with friends, and attended a friend's going-away party. He was able to carry on with life because Hoshi Stomach Medicine had been incorporated as part of his daily routine.<sup>63</sup>

<sup>62</sup> "Hoshi ichōyaku [kōkoku]", in *Yomiuri shinbun*, April 12, 1919, morning edition.

<sup>63</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, July 8, 1922, morning edition.


**胃腸病者の日誌**

六時起床、郵便物並に新聞披見。ホウ吉田が歐洲廻りの氣遣をい  
 げてゐる。朝食の時、女中が茶碗を割らした、少つとも叱らな  
 かつたから、良い日那樣と思ふた。ホシ胃腸薬を飲んで出社

電車の中で礪山に  
 逢ふ。一昨夜妻君  
 赤ん坊を産んだと  
 云ふ。之で何人日  
 だと訊くと五人目  
 だと云ふ。産むこ  
 との妙、驚以上だ。

食後、ホシ胃腸  
 薬を飲む。心氣昨日よりも大に爽快なり。

晩はM氏の送別會。  
 義理上、胃病だからと缺席も出來ず、ボケツトにホシ胃腸薬をひ  
 そませて會場へ出かけた。當分酒類は堅く嚴禁だ。



星製薬株式会社  
 東京 京橋

Fig. 2.4: Advertisement from *Yomiuri shinbun*, July 8, 1922, morning edition

A recurring theme in the company's advertisements was the thoroughly modern nature of Hoshi Pharmaceuticals and its medicines. Hoshi's advertisements explicitly attempted to foster associations between consuming patent medicines and becoming a modern person. In the April 12, 1919 advertisement, the line of people exiting the canister is a literal depiction of civilizational development, from an indeterminate mass to faceless people dressed in traditional kimono, to the fully featured men dressed in Western suits (the exception, of course, was the kimono-clad woman representing the guardian of the traditional values of family life).<sup>64</sup> The development motif appeared in an advertisement in the March 22, 1919 morning edition of the *Tokyo asahi shinbun*, which showed, on the right-hand side, a double-decker streetcar running along Broadway in New York. The text on the right states, "the most advanced tram and the most

<sup>64</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, April 12, 1919, morning edition.

advanced medicine," which is linked to the text on the left to the "the best medicine for stomach illnesses in the East, the Hoshi Stomach Medicine."<sup>65</sup>



Fig. 2.5: Advertisement from *Tokyo asahi shinbun*, March 22, 1919, morning edition

The Stomach Medicine was declared to be the "most advanced, the most trustworthy, and the most effective stomach medicine" because of the scientific technology and quality control of its production.<sup>66</sup> Hoshi Stomach Medicine was often advertised along with images and descriptions of its main factory in the Ozaki District of Tokyo. For example, a March 30, 1918 advertisement in the morning edition of the *Tokyo asahi shinbun* described how the Stomach Medicine was formulated and produced by "equipment great in size at its impeccable factory" (*kibo no kōdai naru setsubi no kanzen naru kōjō*), which was populated by doctors and pharmacists with advanced degrees who conducted "rational research" (*gōriteki kenkyū*) into the effectiveness and

<sup>65</sup> "Hoshi ichōyaku [kōkoku]," in *Tokyo asahi shinbun*, March 3, 1922, morning edition.

<sup>66</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, April 12, 1919, morning edition; "Hoshi ichōyaku [kōkoku]," in *Tokyo asahi shinbun*, March 3, 1922, morning edition.

purity of the product.<sup>67</sup> In the lower right corner of the advertisement, the company provided an account of officials from Ministry of Home Affairs and Police Bureau who praised Hoshi's facilities, and stated their hope that the company would "continue contributing to the progress and development of pharmaceuticals and patent medicines under the auspices of the state's health policy" (*kokka eisei jō iyaku baiyaku no shinpō hattatsu ni kōken semu to kishi tsutsu ari*).<sup>68</sup>

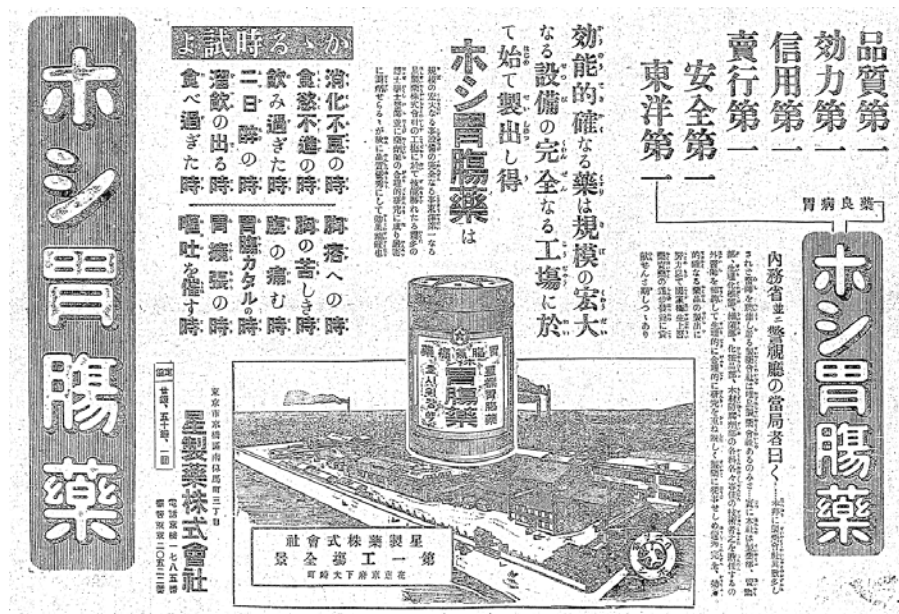


Fig. 2.6: Advertisement from *Tokyo asahi shinbun*, March 30, 1918, morning edition

Like all of the advertisements for patent medicines, cosmetics, and household goods at the time, the modernness of Hoshi's advertisements helped define consumer-based tropes for women. The company catered to -- and, indeed, played a vital role in establishing -- the trope of the modern woman as the epitome of a new and sophisticated

<sup>67</sup> "Hoshi ichōyaku [kōkoku]," in *Tokyo asahi shinbun*, March 30, 1918, morning edition.

<sup>68</sup> "Hoshi ichōyaku [kōkoku]," in *Tokyo asahi shinbun*, March 30, 1918, morning edition.



While Hoshi Stomach Medicine was often marketed domestically as a medicine "where cherry blossoms bloom," it was touted abroad as a modern medicine minus the cherry blossoms.<sup>72</sup> Hoshi sold its medicines widely in the empire, especially in Taiwan, where the company had maintained a steady influence since it established its first branch in Taipei in 1913. Perhaps reflecting the close relationship between the company and government bureaucrats in Taiwan, Hoshi Pharmaceuticals was a major advertiser in the government-sponsored daily, the *Taiwan nichichi shinpō*. A May 15, 1919 advertisement describing Hoshi Stomach Medicine appeared in the paper in the midst of other pieces of news, which seems to blur the distinction between advertising and reporting: on the left is an article about a trial that determined the liabilities of a shipwreck carrying tin scrap (*sekikai*) from Hong Kong to Japan; on the right is an advertisement that describes Hoshi Stomach Medicine as "highly regarded medicine based on the newest knowledge (*shinchishiki*) in the medical world...which was the medicine of choice among Japanese expatriates (*hontōjin inū kaku mo daiichi o sadameireri*)," and was sold in red cans at three different price ranges according to size: 20 sen, 50 yen, and 1 yen.<sup>73</sup>

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<sup>72</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, March 30, 1921, morning edition.

<sup>73</sup> "Hoshi Ichōyaku [kōkoku]," in *Taiwan nichichi shinpō*, May 15, 1919.

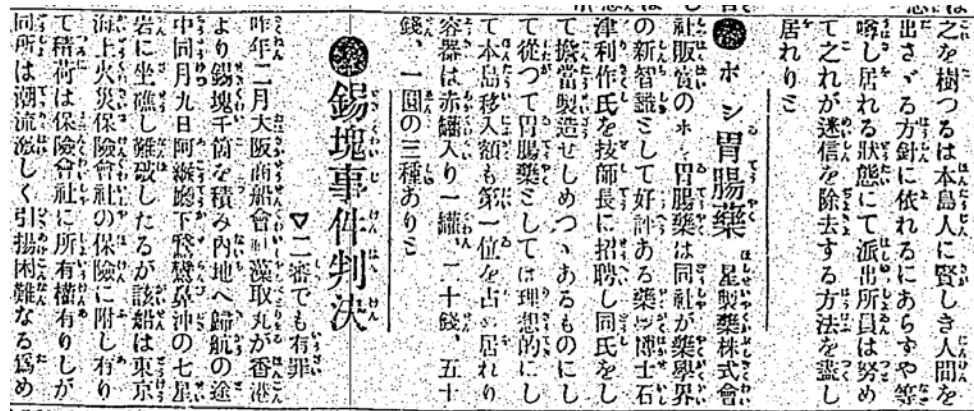


Fig. 2.8: Advertisement from *Taiwan nichi nichi shinpō*, May 15, 1919

Hoshi took out a full-page infomercial in the March 13, 1921 issue of the *Taiwan nichi nichi shinpō* that attempted to educate consumers on how to use its medicines. In the bottom half of the page, the company attempted to prey on the fears of public health risks, with the heading, "There is no limit when investing in one's health" (*Kenkō wa mugen no shihon nari*). An advice column concerning "home remedies" (*katei chiriyō*) was placed in the top half of the page, which listed popular Hoshi-brand medicines that people "had to know about and have on hand" (*kokoroete okanakereba naranu*).<sup>74</sup>

<sup>74</sup> "Hoshi seiyaku [kōkoku]," in *Taiwan nichi nichi shinpō*, March 13, 1921.



(五) 一 二 三 九 千 八 第 報 新 日 日 報 日 三 十 月 三 年 四 十 正 大 (有 限 公 司 星 製 藥 三 株)

**家庭療養の詩**

心得て通わねばならぬ  
功効、丁度好けて下さい  
非常には貴重であります

**ホシ胃腸薬**

胃腸の弱さは、健康の大敵。食慾不振、消化不良、腹脹、嘔吐、下痢、便秘、など、胃腸の弱さによる症状は、多く見られます。ホシ胃腸薬は、胃腸の機能を正常に回復させ、食慾を増進し、消化を促進する効果があります。

**ホシ風薬**

風邪、頭痛、発熱、など、風寒による症状は、多く見られます。ホシ風薬は、風寒を解き、頭痛を軽減し、発熱を下げ、体を温める効果があります。

**ホシ解熱薬**

発熱、頭痛、など、熱による症状は、多く見られます。ホシ解熱薬は、熱を下げ、頭痛を軽減する効果があります。

**ホシ鎮痛薬**

頭痛、腰痛、関節痛、など、痛みによる症状は、多く見られます。ホシ鎮痛薬は、痛みを軽減し、体を楽にする効果があります。

**ホシ小兒風薬**

小兒の風寒、発熱、など、小兒特有の症状は、多く見られます。ホシ小兒風薬は、小兒の体質に合った薬で、効果があります。

**ホシ小兒疳薬**

小兒の疳積、腹脹、など、小兒特有の症状は、多く見られます。ホシ小兒疳薬は、小兒の体質に合った薬で、効果があります。

**ホシ小兒驚風薬**

小兒の驚風、発熱、など、小兒特有の症状は、多く見られます。ホシ小兒驚風薬は、小兒の体質に合った薬で、効果があります。

**ホシ小兒疳積薬**

小兒の疳積、腹脹、など、小兒特有の症状は、多く見られます。ホシ小兒疳積薬は、小兒の体質に合った薬で、効果があります。

**健康は無量の資本なり**

ホシ感冒錠  
感冒のために備へよ  
胃腸を二一ホシ感冒錠を主成分とする高純度の胃腸薬

ホシ風薬  
預防せよ、治療せよ  
風寒、頭痛、発熱、など、風寒による症状は、多く見られます。ホシ風薬は、風寒を解き、頭痛を軽減し、発熱を下げ、体を温める効果があります。

ホシ鎮痛解熱薬  
痛みと熱を去れよ  
頭痛、腰痛、関節痛、など、痛みによる症状は、多く見られます。ホシ鎮痛薬は、痛みを軽減し、体を楽にする効果があります。

ホシアンチツベルケン  
肺病患者はこの薬を選べ  
肺病患者は、この薬を選べ。肺病は、多く見られます。ホシアンチツベルケン薬は、肺病を治す効果があります。

ホシヘデキユーア  
頭痛に一番効く薬  
頭痛は、多く見られます。ホシヘデキユーア薬は、頭痛を軽減する効果があります。

ホシ小兒風薬  
風邪に油断すな  
小兒の風寒、発熱、など、小兒特有の症状は、多く見られます。ホシ小兒風薬は、小兒の体質に合った薬で、効果があります。

ホシ小兒疳薬  
一服毎に短くなる  
小兒の疳積、腹脹、など、小兒特有の症状は、多く見られます。ホシ小兒疳薬は、小兒の体質に合った薬で、効果があります。

ホシ胃腸薬  
胃腸に休養なし  
胃腸の弱さは、健康の大敵。食慾不振、消化不良、腹脹、嘔吐、下痢、便秘、など、胃腸の弱さによる症状は、多く見られます。ホシ胃腸薬は、胃腸の機能を正常に回復させ、食慾を増進し、消化を促進する効果があります。

ホシ胃腸錠  
旅行用に最もよし  
旅行中に、胃腸の弱さによる症状は、多く見られます。ホシ胃腸錠は、旅行用に最適な薬です。

**シホはリスク**

星製藥株式會社

Fig. 2.9: Advertisement from *Taiwan nichi nichi shinpō*, March 13, 1921



Although Hoshi had a much smaller footprint in Korea compared to Taiwan, it still advertised in major Korean newspaper dailies like *Tonga Ilbo* to support the sale of its products. On November 7, 1922, an advertisement in *Tonga ilbo* boasted that Hoshi Stomach Medicine was popular not only "coast-to-coast" in Japan, but was being exported abroad.<sup>75</sup> Indeed, in the 1924 Hoshi product catalogue, Korean letters appear on the left side of the canister.<sup>76</sup> The price of the medicine in Taiwan and Korea was the same as in Japan, and the medicines were often clearly coded as Japanese products, as depicted by a January 9, 1924 advertisement in the *Tonga Ilbo*, which displays the Stomach Medicine with the Japanese flag, the *hinomaru* or "circle of the sun," as the backdrop.



Fig. 2.10: Advertisement from *Tonga ilbo*, November 7, 1922

Fig. 2.11: Advertisement from *Tonga ilbo*, January 9, 1924

<sup>75</sup> "Hosi wijangyak [kwangko]," in *Tonga ilbo*, November 7, 1922.

<sup>76</sup> Hoshi seiyaku kabushiki gaisha, *Seimei enchō*, 1.



Fig. 2.12: *Seimei enchō: Hoshi no seihin*, 1924

The company also advertised Hoshi Stomach Medicine as a global medicine that extended beyond the Japanese empire. An advertisement in the June 11, 1919 *Yomiuri shinbun* celebrating the scientific methods used in producing and testing the medicine was translated word-for-word into English, despite the fact that the readership of the *Yomiuri* was almost entirely Japanese.<sup>77</sup> A March 7, 1921 advertisement included a picture of a smiling Western girl, and boasted the medicine was "not only the number one medicine in the East, but has crossed over the seas to make an impact even in Europe. Our company's Stomach Medicine is now world famous."<sup>78</sup>

<sup>77</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, June 11, 1919, morning edition.

<sup>78</sup> "Hoshi ichōyaku [kōkoku]," in *Yomiuri shinbun*, March 7, 1921, morning edition.



Hoshi Pharmaceuticals imbued its Stomach Medicine with different meanings for different people at different times. In the early interwar period, the prevailing message in its advertisements propounded a message of civilization and modern life closely related to customs found in Western Europe and the United States.<sup>79</sup> But beginning in the 1930s, when leaders and ideologues increasingly attempted to disavow the West and began pushing for rapid militaristic expansion in Asia, the messages began to change.

In an advertisement in the evening edition of the March 24, 1935 *Tokyo asahi shinbun*, the company used a leading right-wing nationalist and advocate of imperial expansion, Tōyama Mitsuru (1855-1944), to vouch for the nationalistic spirit of its products as well as the company's credentials itself. Tōyama was one of the founders, along with Hoshi Hajime's benefactor, Sugiyama Shigemaru, of the Gen'yōsha society, which was a major proponent of military conquest in Asia.<sup>80</sup> Tōyama's involvement with Hoshi Pharmaceuticals likely stemmed from connections to Sugiyama. In the advertisement, Toyama declares:

Hoshi Pharmaceuticals is a company based on the standards of the nation (*kokka honi*), and the medicines it makes are also based on the standards of the nation. Whether or not something is good or evil (*zen'aku*) in the world is determined according to the standards of the nation, and in the same way, whether a medicine is good or bad is determined according to the standards of the nation.<sup>81</sup>

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<sup>79</sup> Other popular medicines included Chūjōtō, that helped ease the discomfort of pregnancy and childbirth (Susan Burns, "Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan"); Seirogan, a popular anti-diarrheal pill (Hoi-eun Kim, "Cure for Empire: The 'Conquer Russia Pill', Pharmaceutical Manufacturers, and the Making of Patriotic Japanese, 1904-1945," in *Medical History*, vol. 57, no. 2 (2013), 249-268); and the aforementioned Jintan.

<sup>80</sup> See Marius B. Jansen, *The Japanese and Sun Yat-sen* (Stanford, CA: Stanford University, 1970) for an excellent discussion of Toyama Mitsuru and his connections to Asia.

<sup>81</sup> "Hoshi ichōyaku [kōkoku]," in *Tokyo asahi shinbun*, March 24, 1935, evening edition.

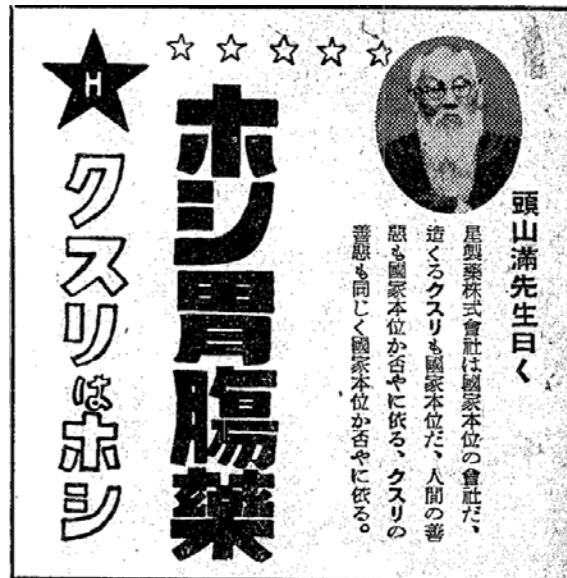


Fig. 2.15: Advertisement from *Tokyo asashi shinbun*, March 24, 1935, evening edition

During Japan's war effort, Hoshi also participated in mobilization efforts at home through an emphasis on health and hygiene. Hoshi's products -- and particularly the Hoshi Stomach Medicine -- became intertwined, most famously, in the catch phrase of "*kenkō hōkoku*" or "Health in the Service of the Nation." *Kenkō hōkoku* included anything from group radio calisthenics (*rajio taisō*), to refraining from smoking and curtailing heavy drinking, to public campaigns to eat more unpolished rice (for extra nutrients and volume) and less meat. Under *kenkō hōkoku*, it was the duty of each citizen to be healthy, and, by implication, unhealthy, disabled, and physically and mentally weak people were not true citizens.<sup>82</sup>

<sup>82</sup> Kōseishō, *Kenkō hōkoku ryōhō michi* (Tokyo: Kōseishō, 1942). *Kenkō hōkoku* entered the public lexicon in a May 17, 1938 speech given by the Minister of Welfare at the time, Kido Kōichi (1889-1977), in Hibiya Park. As Kido stated, "It is vital to maintain conviction in *kenkō hōkoku*. Because these words are deeply endowed with the idea that when an individual improves his physical strength, it is not only for his own personal well being, but also for prosperity for his family and nation. Train your bodies for the nation and strengthen it. Each individual does not have sole ownership of his body; rather it is also the property of the nation." The speech marked the opening of the "Week for Mobilizing the Spirit and Health of All Japanese People (*Kokumin seishin sōdōin kenkō shūkan*)," a

Under this campaign, the company began a new slogan, "Good health starts from the stomach (*Kenkō wa i kara*)," which aimed at improving the labor power of the nation by strengthening the stomachs of the people. The stomachs were now described as uniquely Japanese, differentiated from other human bellies around the globe. A June 6, 1935 advertisement in the company newspaper linked the vast number of Japanese stomach disease sufferers to a lack of protein from rice-based diets (*beishoku*).<sup>83</sup> And because "good health starts from the stomach," Hoshi Stomach Medicine improved digestion to help guard against beriberi, which had been "a major problem since the time of the Tokugawa Shogunate when people began eating white rice."<sup>84</sup> In addition, as ideologues increasingly described Japan's war as a Pan-Asian war against Western imperialist aggression, Hoshi Japanese stomach problems became Asian ones. A 1941 company memo, for example, stated "we believe that Hoshi Stomach Medicine is a medicine that will forever be sold wherever there are rice eaters, because rice eaters are not limited to Japan (*kome no meshi o kū ningen ga tsuzuku kagiri wa Nihon dake dewa naku*)."<sup>85</sup> Although the advertisements followed the prevailing winds of a particular time and place, the product itself largely remained the same.

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nationwide event, which lasted from May 17 through May 23, with the goal of unifying the nation behind the war effort through improvements in public health. Composed of lectures, exhibitions, and movies in venues and public spaces across Japan, the event was comprehensive in scope: among its many goals were to spread knowledge about proper sanitation and hygiene, to train citizens' bodies and minds, to improve nutrition, to spread preventative knowledge to contain infectious and venereal diseases, to improve maternal and child health, and to encourage civic morality (Yutaka Fujino, *Kyōseisareta kenkō: Nihon fashizumu shita no seimei to shintai* (Tokyo: Yoshikawa kōbun, 2000), 25-26).

<sup>83</sup> "Kenkō hōkoku," in *Hoshi seiyaku kabushiki gaisha shahō*, June 6, 1935.

<sup>84</sup> Furuichi Shō, "Shokuyoku zōjinzai: Hoshi ichōyaku ni tsuite," in *Hoshi seiyaku kabushiki gaisha shahō*, December 5, 1936.

<sup>85</sup> Hoshi seiyaku kabushiki gaisha, "Hoshi Ichōyaku no enkaku," November 19, 1941.



Fig. 2.16: "Kenkō wa i kara!" from *Yakuten keiei*, July 9, 1941

### *Chain Stores and the Distribution Revolution*

Hoshi Pharmaceuticals' success as a patent medicine producer relied upon another widespread technology for its sales: the chain store (*tokuyaku ten*). For a newcomer to the medicine industry like Hoshi, it was difficult to convince wholesalers and merchants to sell its products rather than those of more established medicine manufacturers, which were centered in the Doshōmachi district in Osaka. Therefore, soon after Hoshi's early success in the patent medicine business, the company began establishing its chain store

network as a response to the closed nature of the pharmaceutical industry and its distribution system.<sup>86</sup> Hoshi Pharmaceuticals' chain store system was a concrete manifestation of the company's desire to control for market uncertainties.

Hoshi was one of the first companies in Japan to establish chain stores. Most companies developed chain store networks after World War Two, when the Allied Occupation fostered an influx of American culture and ideas. But in the 1910s and 1920s, a few companies such as Hoshi, Kao, Lion, Shiseidō, and Taishō, began implementing chain store practices.<sup>87</sup> This happened all across the world, from Western Europe to Latin America.<sup>88</sup> These companies all sold "non-essential" goods like cosmetics and patent medicines that depended on the energy and skill of sales people. They saw chain stores as a solution to an age-old problem: the loss of control over products once produced. Manufacturers were at the mercy of individual merchants to sell their goods, but how did they know these merchants were doing all they could to increase sales? What if they were actually encouraging a rival's products over theirs? By standardizing business practices, sharing brands, and consolidating management under one roof, chain stores helped manufacturers reduce costs, improve efficiency, and most important, provided control over the distribution process.

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<sup>86</sup> Jinbo, "Wagakuni yiyakuhin gyōkai ni okeru senkuteki hanbai soshiki." In *Keieishigaku*, vol. 43, no. 2 (2008), 11.

<sup>87</sup> Louisa Rubinfein, "Commodity to National Brand: Manufacturers, Merchants, and the Development of the Consumer Market in Interwar Japan," Ph.D. Dissertation, Harvard University, 1995, 238-239.

<sup>88</sup> See, for example, Victoria de Grazia, *Irresistible Empire: America's Advance through 20<sup>th</sup>-Century Europe* (Cambridge and London: Harvard Belknap Press, 2005); Peter Stearns, *Consumerism in World History: The Global Transformation of Desire* (Abingdon, UK: Routledge, 2006).



Hoshi's chain store network was hugely successful. In 1910, the number of stores within Japan approximated 700, but by 1913, this number had risen to 4,000, in 1917 there were 15,000, and by 1923, the number of Hoshi chain stores peaked above 35,000.<sup>89</sup> The chain stores spread into the colonies of Taiwan, Korea, Karafuto, and later, Manchuria, as well as into Southeast Asia, the Dutch East Indies, South America, and even Europe and the United States.<sup>90</sup>

Chain stores, which have been described by Victoria de Grazia as part of a "distribution revolution," helped Hoshi Pharmaceuticals enter and ultimately overtake the domestic medicine market's two major existing networks of distribution: the wholesale distribution system in the Doshōmachi district in central Osaka; and the distribution system in Toyama Prefecture.<sup>91</sup> Both of the older systems had originated in the early modern period.

In 1722, the Tokugawa shogunate established joint-stock organizations in Osaka's Doshōmachi district to serve as the gatekeepers for the regulation of a growing intra-regional trade of Chinese medicines from the Asian mainland.<sup>92</sup> Known as *Yakushu nakagai nakamakabu* or simply *nakagai*, the organizations had monopolistic control over the inspection and regulations of medicines, and established prices and supplies over medicines through wholesale bids and auctions. Several major pharmaceutical firms

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<sup>89</sup> Jinbo, 12.

<sup>90</sup> Misawa Miwa, Yoshihiko Chiba, and Hiroko Ushikubo, "Hoshi seiyaku kabushiki gaisha to chōsen," in *Yakushigaku zasshi*, vol. 40, no. 1 (2008), 40–47.

<sup>91</sup> de Grazia, 140-146.

<sup>92</sup> There are a number of apocryphal origin stories as to how Doshōmachi became the traditional "heartland" of the medicine industry. Yamashita Mai, *Iyaku wo kindai shita kenkyū to senryaku* (Tokyo: Fuyō shobō, 2010), 20-21.

today, such as Takeda and Tanabe, began in this way, acting as middlemen in an intra-East Asian network of medicine trading that linked Chinese and Dutch importers to medicine merchants in the port of Nagasaki, and from there to local medicine shops across Japan.<sup>93</sup>

After the fall of the shogunate, the Meiji government disbanded this medicine distribution system. In its place, specialized firms arose to perform the wide-ranging functions of the nakagai, which had already been stressed by the demands of Japan's growing and increasingly urbanizing population as well as by the increasing presence of Western medicines imported from Europe. Such organizations included the wholesalers (*tonya*), who took orders from the "ordering stores" (*chūmonya*) and the "stores selling to stores" (*miseuriya*). The *chūmonya* and the *miseuriya* then provided medicines to regional wholesalers (*chihō-tonya*), which were the final distributors to retail stores, doctors and pharmacies across the nation.<sup>94</sup> This wholesale system (*tonya seido*), which connected manufacturers to retailers through wholesalers who served as intermediaries, lasted from the beginning of Meiji up to the late 1930s (see Fig 2.17).

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<sup>93</sup> Yamashita Mai, *Iyaku o kindaika shita kenkyū to senryaku* (Tokyo: Fuyō shobō, 2010), 25-26; Matsue Mitsuyuki, *Takeda yakuhin to Taishō seiyaku* (Tokyo: Hyōgen sha, 1956). Also see official company histories like Takeda yakuhin kōgyō, *Takeda hyaku hachi-jū nen* (Osaka: Takeda yakuhin kōgyō, 1962); Tanabe seiyaku kabushiki gaisha, *Tanabe seiyaku san-byaku go-jū nen* (Osaka, Tanabe seiyaku kabushiki gaisha, 1963). Tanabe was founded in 1678 by Tanabeya Gohei. Takeda was founded in 1781 by Takeda Chōbei. Both were among the first firms in Doshōmachi to import Western medicines after the Meiji Restoration of 1868, which ended feudal rule in Japan.

<sup>94</sup> Yamashita, 34-36.

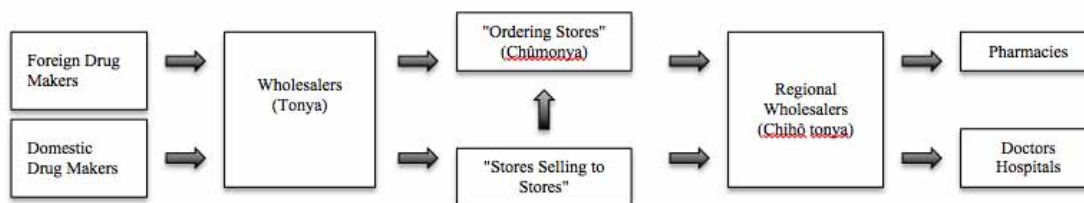


Fig. 2.17: Wholesale Distribution Network modeled on diagram in Yamashita Mai, *Iyaku o kindaika shita kenkyū to senryaku*, 36.

The other distribution system dating from the early modern period became synonymous with patent medicines from Toyama Prefecture, the province on the Japan seacoast formerly known as the Etchū region. Medicines produced and sold from this region (known as *Toyama baiyaku*) had been famous since the Tokugawa period. But they were perhaps better known for how they were sold -- through a door-to-door system of peddling throughout the countryside -- than for the efficacy of the medicines themselves.<sup>95</sup>

<sup>95</sup> Sources like the *Records of Toyama* (*Toyama no ki*) included references to the first druggist, the “tōjin no za,” which appeared in the region in the fifteenth century, as well as descriptions of medicine peddlers at the foot of the castle town of Toyama (*Toyama-ken yakugyō shi tsūshi* (Toyama: Maruzen, 1987), 39). But most scholars attribute the development of this itinerant system to practitioners of *shugendō* -- an ascetic, mystical form of religion -- who produced and sold medicines at temples and shrines, and carried them on pilgrimages across Japan (Murakami Seizō, *Toyama baiyaku to sono shūhen: Genroku kara Shōwa no hajime made* (Toyama: Toyama Kenmin Kaikan, 1983), 1-2; *Toyama-ken yakugyō shi tsūshi*, 65-69). The key figure in the Tokugawa development of *Toyama baiyaku* during this period was Maeda Masatoshi, the lord of the Etchū-Toyama domain. In 1710, Maeda spurred the growth of this industry removing administrative control over the medicine trade from religious authorities, and placing it with town authorities (Murakami, 1-2; *Toyama-ken yakugyō shi tsūshi*, 61-64). Under Maeda’s patronage, itinerant medicine peddlers from this region began traversing Japan and developed a door-to-door system of hawking medicines. Maeda was also famous for his apocryphal visit to Edo castle in 1690, when he prescribed a popular remedy, *Hangontan*, to cure another daimyō’s severe bellyache. This supposedly spread word across Japan of the ability of this medicine to magically -- as the Chinese characters of its name suggests -- “turn back evil demons” that caused upset stomachs (Endo Kazuko, *Toyama no kusuri uri : maketingu no senkushatachi* (Tokyo: Saimaru shuppansha, 1993), 200-205). Like other medicines produced during this time, *Hangontan* was an herbal concoction originated in China.

The guiding ethos -- and principal sales slogan -- behind the sale of these medicines was the elevation of humanitarian needs over business interests: *senyō kōri* ("use first, pay later"). Medicine peddlers traveled to individual homes, and left a box of assorted medicines at the doorstep. Customers would have easy access to medicines the moment a sickness would occur, and they would only use what they needed. About half a year -- or perhaps even a year -- later, the merchant would return to settle accounts, restock supplies, and then customize later shipments. These deliveries and collections were often timed with the rhythms of rural life, often during or after seasonal holidays like New Year's or the summer festival of the dead, O-bon. Despite falling sales, partly due to state medical authorities criticizing the unscientific nature and poor quality of the medicines sold, this system of peddling medicine continued largely unchanged into the early twentieth century.<sup>96</sup>

Hoshi Pharmaceuticals denounced both the wholesale system and the Toyama system as outdated, uncivilized, and inefficient. A May 1, 1918 article in the company newspaper criticized the inefficiency of Toyama's door-to-door system of selling medicines, likening it to "cooking two-liters worth of rice in individual one-cup size pots (*ishō no meshi o kau ni ichi gō ate kakubetsu no nabe ni*)."<sup>97</sup> It reasoned that "the decline in Toyama patent medicines can only be ascribed to its old-style method of selling."<sup>98</sup> According to a 1928 pamphlet, "Wholesalers are becoming extinct. In America there is nothing similar to the wholesale system in Japan. The Japanese

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<sup>96</sup> *Toyama-ken yakugyō shi tsūshi*, 22-27, 31.

<sup>97</sup> "Kyūshiki baiyaku wa dame yo" in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1918.

<sup>98</sup> Ibid.

wholesalers are exactly the same as wholesalers in China. In undeveloped countries, wholesalers are necessary, but in a civilized country, they are not necessary, and their existence impedes development."<sup>99</sup>

Instead, Hoshi pinned its fortunes on the chain stores as an efficient distribution system for modern times.<sup>100</sup> The company self-consciously modeled its chain store system on American models. To Hoshi, the chain store enabled the development of American capitalist growth and prosperity, and embodied the modern values that the company attempted to cultivate.<sup>101</sup> "Through 15,600 chain stores, American department stores have had more than 10 billion yen of sales per year; they were the reason why American department stores have had such a large impact (*tainaru dageki wo uketsutsu*)" throughout the world."<sup>102</sup>

Hoshi kept up to date with the practices and methods of chain stores in America by sending company leadership to Europe and the United States. Anraku Eiji -- the Director of General Affairs at the time -- made one such journey in the summer of 1917, which was covered in the October issue of the company newspaper. Anraku praised the cleanliness of chain stores that "promoted a refreshing feeling (*sōkai naru kibun*)," their convenience, and the kindness of the clerks. But what most impressed him was the open layout that allowed such ease of access and was so enticing that one can "unconsciously walk into a drug store without realizing it." He stated that, "because drug stores also sell candies, cosmetics, stationery, and tobacco, at first glance, they

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<sup>99</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi cheein stoa* (Tokyo: 1928), 1.

<sup>100</sup> "Kyūshiki baiyaku wa dame yo," in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1918.

<sup>101</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi cheein stoa* (Tokyo: 1928), 1.

<sup>102</sup> Ibid.

appear no different than a general store."<sup>103</sup> In the fall of 1922, Hoshi Hajime himself went on such a journey; he returned with blueprints for a new "Hoshi-style drug store" based on scientific principles and built of steel.<sup>104</sup>

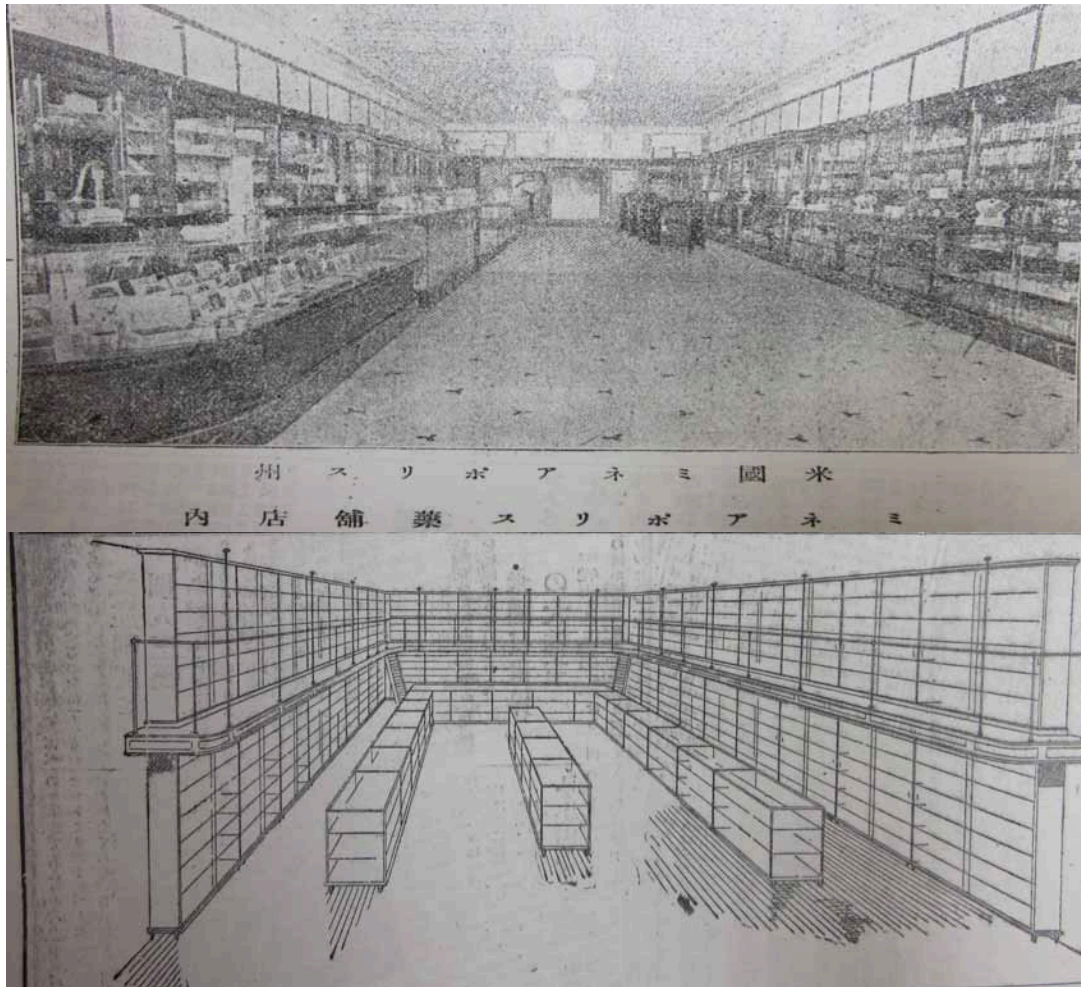


Fig. 2.18: Picture from "Beikoku no kusuriya," in *Hoshi seiyaku kabushiki gaisha shahō*, October 1, 1917. Fig. 2.19: Blueprint from "Kōtetsu-sei Hoshi-shiki kumitate tenpo," in *Hoshi seiyaku kabushiki gaisha shahō*, February 1, 1917.

<sup>103</sup> "Beikoku no kusuriya," in *Hoshi seiyaku kabushiki gaisha shahō*, October 1, 1917.

<sup>104</sup> "Kōtetsu-sei Hoshi-shiki kumitate tenpo," in *Hoshi seiyaku kabushiki gaisha shahō*, February 1, 1917.

According to a 1922 American handbook on chain store management, the growing prominence of chain stores was "characteristic of all that is best in tendencies towards combination and scientific control. It is thoroughly American. It stands for scientific management as applied to the great function of retail merchandising."<sup>105</sup> In the United States, chain stores began in 1859 with the founding of the Great Atlantic and Pacific Tea Company (A&P), which began as a company that sold hides and leathers, and later shifted into the tea trade.<sup>106</sup> In the latter decades of the nineteenth century, other enterprises like F.W. Woolworth (1879), S.S. Kresge (1897), United Cigar Stores (1900), and J.C. Penney (1902) followed.<sup>107</sup>

But chain stores did not truly gain prominence until after World War One, in response to a global economic downturn that resulted from overproduction.<sup>108</sup> By the end of the 1920s, there were more than seven thousand chain stores in America, conducting more than one-fifth of America's total retail business, and chain stores were well on their way to advancing across the globe.<sup>109</sup> A similar situation occurred within Japan in the 1920s. At the time, Hoshi Pharmaceuticals, like firms such as Shiseidō and

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<sup>105</sup> Walter S. Hayward and Percival White, *Chain Stores: their Management and Operation* (New York: McGraw-Hill Book Company, 1922), v.

<sup>106</sup> Richard S. Tedlow, *New and Improved: The Story of Mass Marketing in America* (New York: Basic Books, Inc., Publishers, 1990), 188.

<sup>107</sup> Hayward and White, 19.

<sup>108</sup> de Grazia, 140-146; Hayward and White, 19; Tedlow, 188.

<sup>109</sup> de Grazia, 140-146; Susan Strasser, *Satisfaction Guaranteed: the Making of the American Mass Market* (Washington, D.C.: Smithsonian Books, 1989), 222.

Kao, declared that chain stores would help overcome the "present chaos in the economic world" by fostering a spirit of economic and social cooperation.<sup>110</sup>

Nevertheless, Hoshi Pharmaceuticals emphasized that its chain store system was more than a straightforward reproduction of American models. According to the company:

The difference between Hoshi chain stores and American ones is the difference between the principle of cooperation (*kyōryōkushugi*) and capitalism (*shihonshugi*). In the Hoshi chain store system, the headquarters and the sellers (*hanbaijin*) are independent and cooperate with each other. But in American chain stores, the capital is concentrated under one roof. They really should be called branch stores (*shiten*), since each individual chain store is not independent.<sup>111</sup>

Hoshi's chain store system was a cooperative network that linked itself, the manufacturer, directly to small retailers (*shō baiten*) and to consumers, with the company providing the infrastructure to facilitate these transactions. Hoshi wanted its chain stores to serve as "pioneers (*kaitakusha*)" in spreading the benefits of its modern medicines across Japan, to far-flung rural and land-locked regions as well as across the oceans.<sup>112</sup>

Hoshi's use of the term "chain store" is deceiving. Chain stores were not limited to physical brick-and-mortar stores, but referred more broadly to individual merchants who had entered into a contract and obtained an official license to sell Hoshi Pharmaceuticals' goods. In this sense, Hoshi's chain stores are actually "franchises," in which the owner is independent but buys merchandise and benefits from advertising and distribution networks maintained by the home company. These merchants entered the

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<sup>110</sup> "Kyū tokuyakuten kakui," in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1927; Rubinfen, 238-254.

<sup>111</sup> Hoshi seiyaku, *Hoshi cheein stoa*, 3.

<sup>112</sup> "Baiyaku no minshūka," in *Hoshi seiyaku kabushiki gaisha shahō*, October 15, 1924.



chain store network by paying a minimum of 25 yen up front to the company, which would, in return, deliver 25 yen worth of merchandise. Chain store management was, in this way, about managing people, which was highly influenced by Taylorist and Fordist principles of scientific management.



Fig. 2.20: Hoshi's Original Chain Store Network

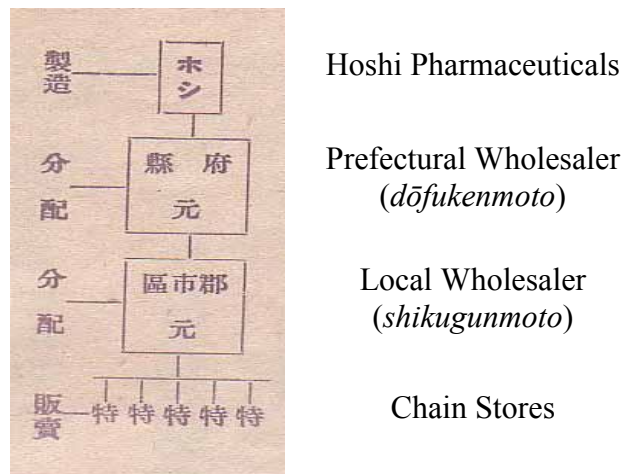


Fig. 2.21: Hoshi's Amended Chain Store Network, from *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku, 1922), 11.

Although the professed goal of the chain store system was to eliminate the wholesaler as a middleman between the company and the individual store, in practice, Hoshi's chain stores amounted to a "Hoshi-exclusive" wholesale system (see Figure 2).

When the company started its network, it wanted to have a direct connection with its stores. But with the rise in number of chain stores, however, the company found it hard to keep up with the number of orders arriving by telegraph, letters, and postcards. In 1914, it therefore created a hierarchical chain of command to shorten the time of shipment, to maintain the efficient transport and distribution of goods, and to have greater oversight over its chain stores. The company added two levels between the company and each chain store: the larger was the prefectural wholesaler (*dōfukemoto urisabakujo*), who had responsibility over -- and distributed merchandise to -- the local wholesaler (*shikugunmoto urisabakujo*), at the town or village level (see Figure 3). Merchandise was stored at the wholesalers who took orders directly from the chain stores.<sup>113</sup>

Hoshi's chain store network, like others throughout the world, operated first and foremost on the principles of speed and efficiency through high concentration of capital, economies of scale, and standardization. The goal was complete vertical integration. According to a 1922 American textbook, "The wise chain store executive always remembers that it is not the length of the profit but the rapidity of the turnover which counts in the long run."<sup>114</sup> Hoshi's wealth enabled it to cheaply purchase raw materials by buying in bulk as well as to maintain factories and machinery run by a labor force of over 2,000 workers. This improved efficiency, lowered costs, and standardized quality, in turn, guaranteed that the consumer would be able to walk into any chain store and purchase the same product at the same level of quality. Uniformity in size allowed

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<sup>113</sup> Jinbo, 15-16; Liu 67-68.

<sup>114</sup> Hayward and White, 8.

goods to be shipped and stored in custom-made containers without wasted space. The company also established uniform prices for the products in its chain stores, often at a level just below the prices of other goods, which made them fast sellers and created high turnover, benefiting both the company and the individual merchant.<sup>115</sup>

Hoshi's primary innovation in increasing turnover was its emphasis on cash. Although credit was the norm for the pharmaceutical industry -- as well as for other consumer industries at the time, from soap to sewing machines -- Hoshi Pharmaceuticals rigorously avoided it.<sup>116</sup> In Hoshi Hajime's view, "because selling based on future payments for goods is the same as loaning money, it is the work of capitalists, not the business of manufacturers...there's nothing more irrational than for patent medicines to be 'loaned' in this way for six months or even one year at a time."<sup>117</sup> To carry the fixed costs of manufacturing, it was better to deal with cash up front. Cash-based transactions were less complicated, avoiding the hurdles of using credit, including trust, bill collection, and the bookkeeping required to keep track of what the customer ordered, what he owed, and what he had already paid for. In this regard, Hoshi Pharmaceuticals purposefully sought to destroy the traditional way of selling patent medicines by relying on a cash-based system of sales.<sup>118</sup>

When this was put into practice, however, the company encountered problems that led it to create a financial support network known as the *jijokai* (literally, "self-help

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<sup>115</sup> Jinbo,12; "Beikoku-ryū keiei hō wo torerō Hoshi seiyaku kabushiki gaisha," *Jitsugyōkai*, vol. 8, no. 2 (1914), 129.

<sup>116</sup> See Andrew Gordon, *Fabricating Consumers: The Sewing Machine in Modern Japan* (Berkeley, CA: University of California Press, 2012).

<sup>117</sup> Jinbo,10; Hoshi seiyaku, *Hoshi cheein stoa*, 12-13.

<sup>118</sup> Ibid.

associations") to foster efficient interaction among home company, wholesaler, and chain store. Although in principle, the company maintained a cash-only system to make transactions as simple and efficient as possible, the system limited the size and scale of transactions. This became an issue if the chain store wanted to purchase relatively expensive medicines or if it needed to purchase quantities in bulk. The company worried that such constraints might cause sellers leaving the chain store network. Through the *jijokai*, transactions could be made with paper bills (*tegata*), much like the commercial paper of today, basically as guaranteed IOUs. *Jijokai* operated, for all practical purposes, as internal banks in the Hoshi chain store system: members could invest unused or uncirculated paper bills for later use, and they guaranteed the value of the notes, charging a transaction fee of 1 yen per 100 yen while earning interest on the investments as commission. *Jijokai* were established on three levels: the prefectural level corresponding with the prefectural wholesaler, in each town or district corresponding with the local wholesaler, and at the local level that catered to individual chain stores.<sup>119</sup> These "self-help" associations reflected the company's call for a "spirit of self-reliance" (*jichi no seishin*), which, itself, invoked a late Meiji era ideology that encouraged villages to straighten up their fiscal and administrative affairs.<sup>120</sup>

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<sup>119</sup> Jinbo, 21-22; "Jijokai," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1923.

<sup>120</sup> Carol Gluck, *Japan's Modern Myths: Ideology in the Late Meiji Period* (Princeton, NJ: Princeton University Press, 1985), 191-197.



back; above 300 yen, five percent; over 600 yen, eight percent; over 1,000 yen, ten percent, etc.<sup>122</sup>

In January 1919, the company introduced a new program, the "Friends of Hoshi (*Hoshi kōkai*)," which established a club for high-performing stores. Anybody could be a member as long as certain sales figures were reached, and the company ideally wanted every chain store to join. The requirement was an average of above one yen of sales per day or 365 yen per calendar year. If a store reached this goal, it was awarded between 3 and 200 yen, with the amount determined by a lottery. The lottery was held in March of the following year with groups of 1,000 tickets, which were ranked from 1<sup>st</sup> prize (200 yen, 2 tickets), 2<sup>nd</sup> prize (100 yen, 3 tickets), 3<sup>rd</sup> prize (50 yen, 10 tickets), 4<sup>th</sup> prize (10 yen, 50 tickets), and 5<sup>th</sup> prize (3 yen, the remaining number of tickets). Under this system, tickets for the lottery were awarded based on the cost of the goods sold, which were typically 60% of the manufacturer's retail price of goods. So if a store sold 365 yen worth of goods, then the cost of goods sold would be 219 yen, which would earn one ticket for the lottery. Stores could earn an additional lottery ticket after every 219 yen increment, and they could earn an unlimited number of tickets. Chain stores therefore had an incentive to sell more in order to get more tickets from the lottery, even if they had to sell at deep discounts.<sup>123</sup> The winners were celebrated and ranked in Hoshi Pharmaceuticals' company newspaper.<sup>124</sup>

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<sup>122</sup> Ibid.

<sup>123</sup> Jinbo, 19.

<sup>124</sup> See, for example, "Tokuyaku-ten yūtoku Hoshi kōka (ichi-mei ichi-yen kai) ōmori kyō," in *Hoshi seiyaku kabushiki gaisha shahō*, February 1, 1919.

Hoshi's chain store system emphasized loyalty and cooperation. The company pursued a strategy for recruiting chain store members that attempted to build loyalty and trust, not only between customers and stores, but also between the company and the chain store workers who sold the products. The success of Hoshi's chain stores depended on managing personnel in the network. For a national corporation like Hoshi, which had a business model based on economies of scale, it was difficult to maintain loyalty among its thousands of workers. This was particularly important for medicines, and especially for a company like Hoshi in the 1910s, which did not yet have the same brand recognition as other manufacturers. Because customers did not know the active ingredients in a particular medicine, or what kinds of medicines could treat which ailments, they relied on the advice of pharmacists and vendors on which medicines to buy.

To promote a cooperative group mentality among chain stores (and avoid, at all costs, competition among them), Hoshi permitted only one chain store in each town or village. Each individual store had a sphere of influence in its designated area -- the store directly purchased its merchandise from Hoshi Pharmaceuticals, and it had the sole right and responsibility to sell goods for its area.<sup>126</sup> The company likened these privileges to the "same special privileges as government-granted monopoly rights" (*senbai tokushu wo etaru to tōitsu no tokuken*).<sup>127</sup>

Education was one of the hallmarks for the smooth operation of Hoshi Pharmaceuticals' chain store system. The main goal, again, was to foster a link between

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<sup>126</sup> "Tokuyaku-ten dai-bōshū," *Tokyo asahi shinbun*, February 4, 1913.

<sup>127</sup> Ibid.

the company and individual chain stores as well as solidarity among the different nodes within the network. But Hoshi also wanted to impart knowledge for how to succeed in selling goods.

The company newspaper, which was distributed to every domestic and overseas chain store, helped to serve this educational purpose. Established in November 1913, the newspaper was first published once every two months, later, monthly and finally, bi-weekly. Its contents included news about the day-to-day happenings at the company's headquarters, testimonials of high-performing chain store owners, and information about new products and new techniques to improve sales.<sup>128</sup> And like all educational tools, the newspaper had a disciplinary function. One article subtitled "Time is Money," for example, encouraged chain store owners to impress onto subordinates the idea that "five minutes, or even one second of free time could be put to good use."<sup>129</sup> Other articles ranked chain store managers for achieving sales goals, and still others issued punishments.

Another educational device was the chain store convention.<sup>130</sup> Its purpose was to improve solidarity between the company and chain store managers as well as to exchange ideas and information about new products and best marketing and sales practices. The Tokyo Chain Store Convention, held in February 1921, was the first of its kind. Regional conventions in each prefecture as well as international ones were

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<sup>128</sup> "Hoshi seiyaku kabushiki gaisha shahō hakkō," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1913.

<sup>129</sup> "Jitsumuka to jikan no katsuyō: taimu izu manee," in *Hoshi seiyaku kabushiki gaisha shahō*, October 1, 1917.

<sup>130</sup> "Taiwan no tokuyaku-ten taikai," in *Hoshi seiyaku kabushiki gaisha shahō*, September 1, 1921; "Chōsen tokuyakuten taikai," in *Hoshi seiyaku kabushiki gaisha shahō*, June 10, 1923.



held soon after. Hoshi Hajime attended each convention, accompanied by high-ranking executives in the company. The conventions often lasted a few days, with programs consisting of a range of lectures aimed at imparting the business and managerial ideals of the company and also providing information about the company's current and future goals. More often than not, the opening session consisted of guest lectures by such important figures and personal friends of Hoshi Hajime as Gotō Shinpei and Sugiyama Shigemaru.<sup>131</sup>

In 1921, Hoshi Pharmaceuticals established the Hoshi Pharmaceutical Business School (*Hoshi seiyaku shōgyō gakkō*). It offered two courses of study: a two-week crash course to familiarize chain store managers and clerks with basic knowledge in pharmacology, medicine, and business practices, and a more comprehensive six-week course intended for students to gain basic qualifications in handling medicines as licensed pharmacists. The company's goal was to provide every seller with the necessary knowledge in medicine, pharmacology, and business to help him perform his job. Thus, it served an instrumental, disciplinary purpose, even as it conformed to the company's declared, enlightened principles that emphasized cooperation between management and labor as well self-cultivation, based on the principles of science.<sup>132</sup> Indeed, one of the textbooks for the Business School was titled *Principles of Scientific Management* (*Kagakuteki keieihō no shintei*), which was loosely based on Frederick Taylor's famous work of the same name.<sup>133</sup>

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<sup>131</sup> "Jichi no seishin ni motozuki kyōryoku ichi sono koto ni atare," in *Hoshi seiyaku kabushiki gaisha shahō*, November 10, 1923;

<sup>132</sup> Hoshi yakka daigaku shi hensan iinkai, ed., *Hoshi yakka daigaku hachi-jū nen shi* (Tokyo: Hoshi yakka daigaku, 1991), 94-96, 110-113.

<sup>133</sup> Hoshi Hajime, *Kagakuteki keieihō no shintei* (Tokyo: Hoshi seiyaku shōgyō gakkō, 1923).

Finally, chain store managers were encouraged to buy stock and debt offerings in the company. This aligned the interests of management and labor, co-opting workers to become micro-owners in the company, and also helped to increase the company's overall capital. Because the cheapest share price was fifty yen, the company allowed chain store owners to pay only one-fourth of the price up front, with the remainder to be collected later.<sup>134</sup> They offered enticing dividends to lure chain store owners to buy shares: between 1911 and 1917, dividends increased from 8 percent to 15 percent, and from 1917 to 1923, they ranged from 20 percent and 30 percent.<sup>135</sup>

In addition to using chain stores to sell products, the company sold the chain stores themselves. The company actively advertised its chain store system to recruit more people into it. What Hoshi offered prospective chain stores was access to the Hoshi brand and the national advertising and sales network, which became more attractive the larger and more influential the company became. Once a merchant entered into a contract with Hoshi, the company provided -- free of charge -- billboards, posters, advertising leaflets as well as the *Hoshi Family Newspaper (Hoshi katei shinbun)* and other publications.<sup>136</sup>

The company enticed prospective merchants with dreams of exponential wealth. One of the earliest advertisements, which appeared on May 18, 1910 in the *Tokyo Asahi shinbun* before Hoshi's incorporation as a joint-stock company, invited prospective chain store owners to contact the company for an application, stating "any person, in any

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<sup>134</sup> Jinbo, 23.

<sup>135</sup> Hoshi seiyaku kabushiki gaisha. *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 5.

<sup>136</sup> Hoshi seiyaku kabushiki gaisha, "Bunka tokuyaku-ten bōshū sōten," March 5, 1926, 3-8.

location, can with as little as 10 to 15 yen of capital, earn more than 80 yen in a year."

A late 1912 and 1913 recruitment campaign boasted that, "Based on a calculation of growing profit from the use of newspaper advertising, there are those who have earned more than two-hundred yen with as little as 25 yen of initial capital, while there are many cases of those who, with a two hundred yen investment, earned more than 2,000 yen."

The advertisement continues by guaranteeing that if a hardworking location puts down 50 yen of capital, it would earn more than 300 yen in a year.<sup>137</sup>

But most of all, the company sold itself, and particularly its connections to well-known political, business, and scientific figures. The first chain store recruiting campaign celebrated Hoshi as "the best pharmaceutical company in Japan, which was organized by first rank (*daiichi ryū*) businessmen," and included portraits of the members of its board of directors, advisory committee, and major stockholders, such as Count Gotō Taketarō, Iwashita Kiyochika, Kitaoka Naoharu, Noguchi Hideo, and Iwahara Kenzō (1863-1936), the managing director of Mitsubishi Heavy Industries, who later became the first chairman -- with Gotō Shinpei as its first president -- of the Japan Broadcasting Corporation, also known as NHK.<sup>138</sup> Along with a prominent statement of its present capitalization of 500,000 yen, the pictures and descriptions of these figures gave the company an aura of trustworthiness and authority. All this was only two years after Hoshi Pharmaceuticals was incorporated in 1911.

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<sup>137</sup> For example, "Tokuyaku-ten dai-bōshū [kōkoku]," appeared in the morning edition of the *Tokyo asahi shinbun* on December 18, 1912, February 4, 1913, March 23, 1913, April 24, 1913, and October 27, 1913 (all morning editions). It also appeared in the morning edition of the *Yomiuri shinbun* on January 13, 1913.

<sup>138</sup> "Tokuyaku-ten dai-bōshū [kōkoku]," in *Tokyo asahi shinbun*, February 4, 1913.



### *Chain Stores in the Empire*

In the early twentieth century, Hoshi was one among a number of Japanese patent medicine manufacturers that emphasized overseas exports.<sup>141</sup> The financial benefits were alluring. In 1905, the government amended its “Regulations for Patent Drugs” (*Baiyaku kisoku*) to state that medicines exported abroad would not be subject to the Stamp Tax, which placed a ten percent surcharge on the domestic sale of all patent medicines.<sup>142</sup> After the outbreak of World War One, manufacturers from all consumer industries pushed to expand into Asia to take advantage of the war's disruption of European exports. These included patent medicine makers like Toyama's Kōkandō as well as purveyors of consumer products like Lion, Kao, Morishita Yakubō, Shiseidō, and Ajinomoto.<sup>143</sup>

To support its overseas sales, Hoshi extended its chain store network into Japan's empire. It had its earliest and greatest presence in Taiwan, where it established a foothold even before it had consolidated its presence within Japan: it completed the construction of its Taiwan headquarters, located in the center of Taihoku (Taipei), two months before it had finished building its main headquarters and main factory in

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<sup>141</sup> According to statistics taken from the six major patent medicine producing companies in Toyama, in 1917 overseas sales accounted for roughly 17 percent of overall sales (*Toyama-ken yakugyō shi tsūshi, shiryō shusei: tōkei*, vol. 2, 34-35).

<sup>142</sup> Endo 1993, 237. “Baiyaku zeihō shikō kisoku kōfu,” in *Toyama-ken yakugyō shi, shiryō shusei*, 269.

<sup>143</sup> See *Toyama-ken yakugyō shi tsūshi, shiryō shusei: tōkei*, vol. 2, 34-35; Jordan Sand, “A Short History of MSG: Good Science, Bad Science and Taste Cultures,” *Gastronomica*, November 2005; *Raion 100-nen shi: itsumo kurashi no naka ni* (Tokyo: Raion, 1992); Kaō kabushiki gaisha, Ed., *Kaō, 120-nen: 1890-2010-nen* (Tokyo: Kaō kabushiki gaisha, 2012); Susan Burns, “Marketing Health and the Modern Body: Patent Medicine Advertisements in Meiji-Taishō Japan,” 2009; Wada Hirofumi, *Shiseidō to iu bunka sochi, 1874-1945* (Tokyo: Iwanami shoten, 2011).

Tokyo.<sup>144</sup> Less than six months after it held its first chain store convention in Tokyo, Hoshi Pharmaceuticals held its first overseas chain store convention in Taihoku over a three-day period in mid-July, which was attended by 265 chain store members and 158 invited guests.<sup>145</sup>

Statistics seem to reflect the importance of Taiwan as a patent medicine market: in 1915, the average amount of money a person spent on patent medicines per year in Taiwan was 44 sen (1,590,839.80 yen total for a population of 3,615,545), which was roughly the same as in Japan (24,649,988 yen total for a population of 59,022,700) and dwarfed the amount in Korea (162,491 yen for a population of 19,967,501, which averages to roughly 1 sen per person).<sup>146</sup> Because the population of Japanese expatriates in Taiwan was only 3.9% of the entire population, either Japanese expatriates were buying an extraordinary amount of medicines to protect their health in tropical climes or many local Taiwanese (*hontōjin*) also purchased patent medicines.<sup>147</sup>

Korea was the second major market for Hoshi, but it was tiny compared to Taiwan, and seemed to take a lot of effort to establish. According to the company newspaper, in March of 1917, Hoshi had sent an employee named Takagi Yunbei to spend a year researching the potential for expanding its influence in Korea in order to

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<sup>144</sup> "Kaisha no shinkenchiku," in *Hoshi seiyaku kabushiki gaisha shahō*, November, 1, 1913. The headquarters were located in the Kyōbashi, while the factory was in Ozaki.

<sup>145</sup> "Taiwan no tokuyakuten taikai," in *Hoshi seiyaku kabushiki gaisha shahō*, August 1, 1921.

<sup>146</sup> These statistics were for all patent medicines, not just Hoshi ones. "Kakufuken jinkō oyobi baiyaku shōhi kaku (teika) hyō," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1918; "Shokuminchi genjū jinkō (dojin o mo fukumu) Taishō yon-nen matsu sachō," in *Hoshi seiyaku kabushiki gaisha shahō*, August 1, 1918; Misawa Miwa, Yoshihiko Chiba, and Hiroko Ushikubo, "Hoshi seiyaku kabushiki gaisha to chōsen," in *Yakugakushi zasshi*, vol. 40, no. 1, 43.

<sup>147</sup> For population data in colonial Taiwan, please refer to *Riji shiqi hukou diaocha shiliaocang*, Program for Historical Demography, Research Center for Humanities and Social Sciences, Academia Sinica. <<<http://www.rchss.sinica.edu.tw/popu/index.php>>>.

supply medicines to a place that "has been forced to suffer bad patent medicines (*furyō baiyaku ni kurushimerareta*)."<sup>148</sup> In a January 1, 1918 article on his journey, Takagi Shunhei remarked that although medical care in Korea "remained poor, as people continued to rely on 'grass roots and tree bark' (*sōkon bokuhi*)" to cure their ailments, he saw an opportunity because "members of the intelligentsia (*chishiki kaikyū*) and middle class (*chūsan kaikyū*) have all taken to Japanese medical techniques (*ijutsu*)."<sup>149</sup> But when Takagi returned, he was much less sanguine about Hoshi's patent medicine prospects in Korea. According to him, Hoshi would have trouble establishing a presence in Korea because Koreans disliked using cash. Yet even though they favored credit for transactions, they were still "very bad about taking responsibility for their debts," "often would not pay their bills for six months or more," and "do not have precise methods of payment (*seikaku ni shiharai wo shita koto ga nai*)."<sup>150</sup>

Nevertheless, Hoshi persisted with trying to establish a foothold in Korea. A July 1, 1922 article in the company newspaper reported that it had established a "general wholesaler" (*sōmoto urisabakujo*) in Keijō.<sup>151</sup> By 1923, Hoshi had a total of eight prefectural-level distribution centers spread across major cities including Keijō,

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<sup>148</sup> "Takagi-kun to chōsen," in *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1917.

<sup>149</sup> Takagi Shunhei, "Baiyaku yori mitaru chōsen to Hoshi yaku no genzai oyobi shōrai," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1918.

<sup>150</sup> "Chōsenjin to baiyaku," in *Hoshi seiyaku kabushiki gaisha shahō*, April 4, 1918.

<sup>151</sup> "Chōsen sōmoto: eigyōjo kakutei," in *Hoshi seiyaku kabushiki gaisha shahō*, July 1, 1922.

Kameyama (Pusan), and Jinsen (Incheon).<sup>152</sup> And from May 27 to May 29, 1924, the company held its inaugural chain store convention in Kameyama.<sup>153</sup>

Hoshi Pharmaceuticals also tried to establish its presence elsewhere in Asia. Beginning in 1915, the company began exploring expansion in Southeast Asia, but it is unclear if it amounted to anything.<sup>154</sup> An April 1, 1915 article indicated that there were few stores in Java, and that "although Japanese patent medicines were being imported, European patent medicines continued to dominate the market."<sup>155</sup> An April 1917 article announced that the company had sent two employees, Takiguchi Seisan and Okumura Shōji, to conduct a 26-day long investigation of Southeast Asia.<sup>156</sup>

China was another market Hoshi tried to enter. An August 1, 1919 article described the exploits of a company employee named Tsuboi who was helping to popularize Hoshi medicines in Shanghai.<sup>157</sup> The December 15, 1924 issue of the company newspaper published a report of a Japanese military officer who had conducted research on the prospects of patent medicine sales in China, and declared that there was a major need for any and all medicines or household goods in China, "whether it was for Lion toothbrushes or Jintan."<sup>158</sup>

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<sup>152</sup> Misawa Miwa et al., 41-42.

<sup>153</sup> "Chōsen dai ikkai tokuyakuten taikai," in *Hoshi seiyaku kabushiki gaisha shahō*, June 15, 1924.

<sup>154</sup> See Cochran, *Chinese Medicine Men* for a discussion of Chinese medicine traders who both borrowed and competed with Japanese manufacturers for markets in Southeast Asia.

<sup>155</sup> "Nan'yō to baiyaku," in *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1915.

<sup>156</sup> "Takiguchi kun to Nan'yō," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1917.

<sup>157</sup> "Shanghai tōkyōkyō dai kōbai ni doryoku," in *Hoshi seiyaku kabushiki gaisha shahō*, August 1, 1919.

<sup>158</sup> Nonaka Yasunori, "Shina ni okeru baiyaku no zento," in *Hoshi seiyaku kabushiki gaisha shahō*, December 15, 1924. Indeed, anti-imperialist protesters boycotted Japanese patent medicines China's



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Hoshi Pharmaceuticals sold patent medicines in the name of civilization and modernity. Through print media and advertising techniques like branding and sloganeering, it marketed its medicines as indispensable implements for healthy, modern living that worked hand-in-hand with state policies and campaigns advocating healthy and hygienic living.<sup>159</sup> It sold its medicines through a cooperative network of chain stores, and indeed, it sold the chain stores themselves.

Hoshi's marketing campaigns, chain stores, and "civilizing" medicines helped it become an emblem of hygienic modernity and middle-class life that developed in the interwar years. But they also helped the company control for uncertainty in the marketplace.<sup>160</sup> The goal of its advertising was to control and create needs and desires, and the goal of chain stores was to control the unpredictable nature of unaffiliated wholesalers by creating a top-down, self-sufficient distribution system with itself at the center. The aftermath of World War One only heightened sales and distribution problems. These sales and distribution techniques that attempted to control the vagaries of the marketplace helped Hoshi Pharmaceuticals to break into the domestic

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1919 May 4<sup>th</sup> Movement, which sparked China's National Products Movement (*guohui yundong*) (Endo 1993, 252-254; *Toyama-ken yakugyō shi tsūshi*, 629-630; Cochran, 41.)

<sup>159</sup> For a discussion of the intersection between state policies and hygienic living, see Iijima Wataru, *Mararia to teikoku: shokuminchi igaku to Higashi Ajia no kōiki chitsujo* (Tokyo: Tokyo daigaku shuppansha, 2005), Iijima Wataru and Wakamura Kōhei, "Eisei to teikoku: Nichi-Ei shokuminchishugi no Hikaku shi teki kōsatsu ni kukete," *Nihon shi kenkyū*, 462 (February 2001), and Ruth Rogaski, *Hygienic Modernity: Meanings of Health and Disease in Treaty-Port China* (Berkeley, CA: University of California Press, 2004).

<sup>160</sup> For a discussion of comparisons around the world, see, for example, Victoria de Grazia, *Irresistible Empire: America's Advance through 20<sup>th</sup>-Century Europe* (Cambridge and London: Harvard Belknap Press, 2005), 130-183; and William Leach, *Land of Desire: Merchants, Power, and the Rise of New American Culture* (New York: Vintage Books, 1993), 263-297.

pharmaceutical market, and to become the dominant pharmaceutical company in all of Asia. Indeed, from 1917 to 1924, the company's total profits had almost exponentially increased from 349,431 yen to 3,391,668 yen, and its capitalization increased at an even greater rate, from 500,000 yen in 1911 to 50 million yen by the end of 1923.<sup>161</sup> Hoshi's patent medicines and chain store networks helped the company become a civilizing force for Japan's nation- and empire building project, and also seemed to provide the economic foundations for its own rapid growth and expansion.

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<sup>161</sup> Jinbo, 7, 12; Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyo* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923) 5.

### Chapter 3 -- The Scandal of Opium

1925 was supposed to be a banner year for Hoshi Pharmaceuticals. In the January issue of the company newspaper, Hoshi Hajime predicted that the new year would be "filled with happiness and activity (*takō tabō*)," and exhorted his workers to strive to become the world's best.<sup>1</sup> In the previous year, the company had begun a newspaper devoted to family life, the *Hoshi Family Newspaper* (*Hoshi katei shinbun*), and introduced new household products, including baby food, condiments, and a line of cosmetics. It also expanded its infrastructure, opening a soap factory in Osaka, issuing a fourth debenture offering of 5,000,000 yen, establishing a new distribution center to reduce the time it took for goods to reach store shelves, and even expanding the facilities and class size of its affiliated business school.<sup>2</sup> In February 1925, the company issued a fifth debenture offering of 2,300,000 yen, and in April, the company announced that it would use recent advances in refrigeration technology to start a new subsidiary company of Hoshi Pharmaceuticals, the Refrigeration Manufacturing Company (*Tei-on kōgyō kabushiki gaisha*), which would, it was hoped, seamlessly fit with its expanding food products line.<sup>3</sup> Hoshi's chain stores were flourishing both within Japan and in its colonies, particularly in Taiwan, but to a lesser extent, in Korea, and its products were

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<sup>1</sup> Hoshi Hajime, "Takō tabō no nen wo kangei su," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1925.

<sup>2</sup> Fukui Shōtarō, "Taishō 14 nen ni mukaete," in *Hoshi seiyaku kabushiki gaisha shahō*, January 1, 1925; "Dai yon-kai shasai yōkō," in *Hoshi seiyaku kabushiki gaisha shahō*, July 10, 1924.

<sup>3</sup> Otsuka Katsuichi, "Hongetsu jū-go niche wo kishi dai-go kai no shasai uridashi," *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1925; "Teion kōgyō kabushiki gaishi setsuritsu nit suite," in *Hoshi seiyaku kabushiki gaisha shahō*, April 15, 1925.

making inroads into Southeast Asia and even Hawaii.<sup>4</sup> If the company's famous slogan, "Medicines are Hoshi," rang true at any time in its history, it was the beginning of 1925. The company was rapidly expanding, and it seemed destined to fulfill its self-avowed goal of becoming the world's leading pharmaceutical company.

But on May 14, 1925, Hoshi Hajime received sudden notice that his fortunes would soon turn. While on a roadshow advertising the company's upcoming entry into refrigeration technology to investors in Fukushima Prefecture, he read in the newspaper that there was a warrant out for his arrest. Rushing back to Tokyo the following day, he found police detectives searching his offices in Kyōbashi and his family home in Aoyama. Hoshi was under suspicion for illegally trading opium. According to early reports, the violation in question concerned the improper storage and handling of 110,000 pounds of raw opium (worth two million yen), which were held at bonded warehouses in Yokohama and were intended for Vladivostok through the ports of Jilong, Taiwan, and Otaru, Japan.<sup>5</sup>

At first, Hoshi was adamant that it was simply a misunderstanding, and that it was "not a big deal."<sup>6</sup> Since 1915, Hoshi Pharmaceuticals had an exclusive contract from the Taiwan Opium Monopoly to import crude morphine, and three government ministries -- the Home, Finance, and Foreign ministries -- had authorized the company's dealings in opium. Hoshi surmised that the present investigation might be related to an incident

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<sup>4</sup> Jinbo Mitsuhiro, "Senzenki Hoshi Seiyaku ni okeru seiseiki maaketeingu," in *Dōshisha Shōgaku* 61, no. 6 (2010), 215; "Kakufuken jinkō oyobi baiyaku shōhi kaku (teika) hyō," in *Hoshi seiyaku kabushiki gaisha shahō*, August 1, 1917; Misawa Miwa, Yoshihiko Chiba, and Hiroko Ushikubo, "Hoshi seiyaku kabushiki gaisha to chōsen," *Yakushigaku zasshi* 40, no. 1(2008), 40–47.

<sup>5</sup> "Hoshi seiyaku Ozaki kōjō kataku sōsaku o uku," *Tokyo asahi Shinbun*, May 16, 1925; Hoshi Shin'ichi, *Jinmin wa yowashi, kanri wa tsuyoshi* (Tokyo: Shinchōsha, 1967, rev. ed. 2006), 177-181.

<sup>6</sup> Ibid.

involving one of his major competitors, the British shipping firm, Samuel and Samuel, which had been fined for a technicality only a month before. Four days later, however, prosecutors issued a warrant for his immediate arrest, and on July 26, Hoshi appeared in the Taipei District Court.<sup>7</sup>

This set into motion the opium scandal (*ahen jiken*), in which the Prosecutor's Office of the Taipei District Court charged Hoshi -- along with Kimura Kenkichi, the head of Hoshi Pharmaceuticals' Taihoku branch office, and Sekido Shinji, the managing director of Yokoyama Sanyō Shipping -- for violating Taiwan's Opium Law (*Taiwan ahen hō*), which not only forbade the sale of raw opium, but also the handling of it by private citizens. According to the first charge, between June 16, 1921 and April 20, 1922, Hoshi and his co-defendants broke the law fifteen times by illegally selling 1038 cases of raw Turkish opium worth over 2,700,000 yen at two locations in Taihoku (Taipei), the Omotemachi Tetsudō Hotel and Hoshi Pharmaceuticals' branch office in Daiwamachi, to a merchant and known opium trafficker of Chinese nationality, Guo Tian-he.<sup>8</sup> The second charge stated that from around June 21, 1921 to May 14, 1923, Hoshi and his co-defendants transported 1,517 cases of raw Turkish opium, worth over 3,150,000 yen, to bonded warehouses in Jilong, Taiwan without authorization.<sup>9</sup> These charges linked Hoshi Pharmaceuticals to an illicit network of opium traders across Asia,

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<sup>7</sup> "Hoshi Hajime shi ni kōinjō: honjitsu kenjikyoku yori," *Tokyo asahi shinbun*, evening edition, May 20, 1925.

<sup>8</sup> Each case of opium contained roughly 72 pounds of opium per case at a rate of 13 yen per pound. "Kōban seikyūsho," in *Ahen jiken tenmatsu* (Tokyo: Hoshi seiyaku, 1927), 5.

<sup>9</sup> Ibid.; "Ahen uriwatashi no jijitsu wo mitomu: Hoshi shi mitsuyu jiken kōban bōchō kinshi chū ni Hoshi shi no chinjutsu," *Tokyo asahi shinbun*, October 20, 1925.

which included Chinese opium traffickers in Shanghai and Taiwan as well as a Russian shipping firm based in the port of Vladivostok.

In early November of 1925, the court declared the defendants guilty of the violations; it levied individual fines of 3,000 yen on Hoshi and 2,000 yen for Kimura and Sekido, with an additional fine of 1,260,000 yen among the three defendants.<sup>10</sup>

Although two additional trials found the three not guilty, the incident caused substantial damage. During the investigation and trial, the company's bank accounts were frozen, its financial credit was lost, and Hoshi Hajime's reputation was shattered. This led to a default on the repayment of the company's debt and overdue wage payments, as well as dramatic fluctuations in the price of Hoshi stock from a high of 10.50 yen per share before the scandal to a low of 3.60 yen after.<sup>11</sup> It also led Hoshi Pharmaceuticals to scrap its plans for the refrigeration company as well as schemes for further expansion.

The opium scandal was inarguably the defining moment in the history of Hoshi Pharmaceuticals. It revealed the unseemly side of a company that had portrayed itself as the embodiment of progress and civilization. The company had cultivated an image that it was a company for "the people": it provided access to cheap medicines in places where medical care was scarce, and offered people of modest means a way to make a living and rise in the world by becoming members of its chain store system. The company's patent medicine business was very successful, and was seemingly one of the reasons the company had become a dominant force in the pharmaceutical industry in

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<sup>10</sup> "Ahen jiken hanketsu," in *Tokyo asahi shinbun*, November 10, 1925.

<sup>11</sup> Tokyo Kabushiki Torihikijo, *Tokyo kabushiki torihikijo gojū-nen shi* (Tokyo: Tokyo Kabushiki Torihikijo, 1928), 236.

Asia. The outbreak of the scandal, however, changed both the fortunes and public perception of the company.

Not limited to the company itself, the opium scandal revealed the unseemly co-dependence between government and business that has often characterized Japanese capitalism. Through Hoshi Hajime's personal connections to Gotō Shinpei, the company obtained an exclusive contract to purchase discounted crude morphine from Taiwan's Opium Monopoly Bureau in 1915. The company profited greatly from the contract, which enabled it to become Japan's sole private supplier of morphine during World War One, when prices skyrocketed due to a widespread shortage of Western medicines.

Questions concerning Hoshi's profits from its opium trade also raised questions about the legitimacy -- and particularly, the civilizing mission -- of Japan's imperial aspirations in East Asia. As a drug associated with European imperialism in Asia and with connotations of vice, backwardness, and addiction, opium was a scourge to public health and morality. Amid a global anti-narcotics movement, rumors abounded that Hoshi served as the legitimating façade for Japan's imperial expansion into Asia.<sup>12</sup>

### *International Suspicions and the Global Opium Trade*

At one level, Hoshi Pharmaceuticals' opium scandal resulted from international scrutiny of Japan's involvement in opium in the early twentieth century. At the time, Japan was not only one of the world's largest players on the global opium market, but

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<sup>12</sup> For more on illicit narcotics in the making of the Japanese empire, please see "Legitimizing Empire, Legitimizing Nation: The Scientific Study of Opium Addiction in Japanese Manchuria," *Journal of Japanese Studies* vol. 38, no. 2 (2012), 329-355.

also one of the leading participants in an international movement to control the illicit trafficking and use of narcotics. This blatant conflict of interest -- profiting from the opium trade on the one hand while decrying its social harm -- aroused the suspicions of European Powers who attempted to police the global opium trade as well as check Japan's growing economic power. This led to intense scrutiny of both government-sponsored and private Japanese traders, and Hoshi Pharmaceuticals eventually became the target of their campaign.

Opium was, from the beginning, a commodity that helped to shape Japan's colonization of Taiwan, and opium policy was one of the bases of the governing regime. Almost immediately after Japan claimed the island of Taiwan from China as spoils of its victory in the 1894-1895 Sino-Japanese War, one of the primary concerns of early colonizers was the "opium problem" (*ahen mondai*): namely, how to prevent Japanese soldiers and settlers from partaking in this social vice and how to deal with the large Chinese population in Taiwan, for whom opium-smoking was an ingrained social habit.

Early Japanese administrators saw opium smoking as a scourge that had helped open Qing China to Western encroachment in the nineteenth century, recognizing it as both a social and political danger. Already in 1895, an official, government-sanctioned anthropological investigation into the customs of the native population labeled opium smoking -- along with foot-binding and the wearing of queues -- as one of the three vices of the Chinese population that needed to be eradicated.<sup>13</sup> In the words of a noted historian of the time, Takekoshi Yosaburō, opium smoking was so ingrained in Chinese culture that, "To attempt...to make a Formosan Chinese give up opium smoking would

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<sup>13</sup> Harry J. Lamley, "Taiwan Under Japanese Rule, 1895-1945: The Vicissitudes of Colonialism," in Murray A. Rubinstein, editor, *Taiwan: A New History* (Armonk, NY: M.E. Sharpe, 1999), 218.



be like attempting to make him stop eating and drinking."<sup>14</sup> As a short-term solution to prevent Japanese soldiers and civilians from taking up the habit, the military decreed that "anyone who furnished soldiers with opium, opium smoking implements, or a venue for smoking" would be executed.<sup>15</sup> Finding a long-term solution, however, was more difficult. Although the Japanese agreed that opium smoking should be eradicated, the question was how to do it: should opium smoking be prohibited outright or should smokers be gradually weaned away from the drug?<sup>16</sup>

The colonial government settled on the latter plan, propounded by the head of the Civilian Administration Bureau in Taiwan, Gotō Shinpei. Throughout his career as a bureaucrat and politician, Gotō was a major proponent of imperial expansion based on scientific principles and economic means. As the head of civil affairs in the Government-General in Taiwan at the turn of the century, Gotō helped shape Japan's early colonial project. He was particularly well known for his "scientific" approach to colonial rule based on the principles of "biological laws" (*seibutsugaku-teki genri*). Gotō was a proponent of empirical research and statistical methods for understanding the rules of nature, and famously described Taiwan as a laboratory for colonial rule.<sup>17</sup> As the first director of the government-sponsored South Manchuria Railway, Gotō oversaw the settlement and expansion of Japan's imperial possessions in Manchuria and northern

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<sup>14</sup> Yosaburo Takekoshi, *Japanese Rule in Formosa* (Taipei: SMC Publishing, Inc., 1996) 156. (Formosa was the Western name for Taiwan).

<sup>15</sup> John M. Jennings, *The Opium Empire: Japanese Imperialism and Drug Trafficking in Asia, 1895-1945* (Westport, CT: Praeger, 1997), 19-21.

<sup>16</sup> Michael Liu, *Prescribing Colonization: The Role of Medical Practices and Policies in Japan-Ruled Taiwan, 1895-1945* (Ann Arbor, MI: Association for Asian Studies, 2009), 111-114.

<sup>17</sup> Ramon H. Myers and Mark R. Peattie, ed., *The Japanese Colonial Empire, 1895-1945* (Princeton, NJ: Princeton University Press, 1985), 83-85; Liu, 56.

China based upon wholly contained "civilized towns," complete with highways, water and sewer systems, markets, and cemeteries.<sup>18</sup> He also established the East Asian Economic Research Bureau (*Tōa keizai chōsakyoku*), which collected economic data on the minutiae of modern life.<sup>19</sup> In his role as foreign minister in the Terauchi Cabinet, Gotō advocated strengthening China's autonomy against the Western powers through the establishment of an Asian development bank that would provide economic assistance in the form of developmental loans under a Japanese-led "East Asian Economic League (*Tō-A keizai dōmei*)."<sup>20</sup>

The opium policy that he created was a compromise: it prohibited people from newly acquiring the habit, but allowed confirmed opium addicts to continue smoking under official supervision. Because enforcing prohibition would drain valuable capital and human resources as well as endanger the health of addicts who would have to suffer the side effects of opium withdrawal, Gotō argued that it was much more practical and humane to gradually wean smokers away from the drug.<sup>21</sup>

Gotō's opium policy included a contradiction between profiting from the opium trade while attempting to prevent and eliminate its use. Gotō attempted to solve the "opium problem" through a state monopoly over opium in Taiwan based on strict oversight and regulation. Opium smoking would be permitted only for medicinal use,

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<sup>18</sup> Yukiko Hayase, "The Career of Gotō Shinpei: Japan's Statesman of Research, 1857-1929," (Ph.D. dissertation, Florida State University, 1974), 119, 127.

<sup>19</sup> Ibid.

<sup>20</sup> Frederick R. Dickinson, *War and National Reinvention: Japan in the Great War, 1914-1919* (Cambridge, MA: Harvard University Asia Center, 1999), 160-162; Mark Metzler, *The Lever of Empire: the International Gold Standard and the Crisis of Liberalism in Prewar Japan* (Berkeley and Los Angeles, CA: University of California Press, 2006), 99-100.

<sup>21</sup> Jennings, 21.

with opium distributed only by specially licensed pharmacists and doctors, which was the case in Japan at the time under its Opium Law. In order to smoke opium legally in Taiwan, smokers would have to first obtain permits, which were granted by local police or designated physicians, both of whom would record detailed data on each addict. They would exchange those permits for ration books, which they would then trade for opium at the licensed pharmacies. Because opium addicts needed to register with police or medical authorities, this plan would allow the governing authorities to have complete oversight over their health while preventing nonsmokers from taking up the harmful habit. The numbers of smokers would naturally decrease with time as opium addicts died. Equally important, proceeds from the monopoly would contribute to the coffers of the Government-General. The revenues generated by the taxes on opium would then be used to improve the public health of Taiwan by funding hospitals and other medical facilities and paying for educational programs on the dangers of opium use. Gotō's plan, in other words, established a "self-regulating" system for curbing opium addiction that had the added benefit of contributing to the financial and physical welfare of the colony.<sup>22</sup>

At the same time as Japanese authorities worked to establish an opium policy in Taiwan, they also participated in the growing international anti-narcotics movement. Spurred by the writings of Western missionaries in China who decried the social and moral harm of opium addiction as well as by turn-of-the-century temperance movements emanating from the United States and Great Britain, the anti-narcotics movement argued that civilized nations had a duty to ban narcotics. Opium became the primary target due

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<sup>22</sup> Ibid., 22.

to its associations with harmful addiction and degeneracy. Concerned with Japan's status as a modern nation, Japanese leaders joined this anti-narcotics movement as part of the effort to “leave Asia and join the West” (*datsu-A nyū-Ō*).<sup>23</sup>

In 1909, Japan was one of thirteen signatories of the International Opium Convention, which publicly denounced the trade of opium. This was later followed by international conferences and conventions held at The Hague in 1911-1912, Geneva in 1924-25, and Bangkok in 1931, as well as at annual meetings of the League of Nations' Advisory Committee on Traffic in Opium and Other Dangerous Drugs. In signing these conventions, nations as varied as Great Britain, China, Portugal, Persia, and Siam unanimously declared the need to eliminate the scourge of opium smoking from civilized society and to prohibit illegal opium trafficking and punish known violators.

The incentive to cheat, however, was great because of the financial rewards of the opium trade. One obvious example was Great Britain, which had built its global empire on the opium trade. Harvested and imported from its colonial holdings on the Indian subcontinent, opium was an essential commodity in Great Britain's imperial expansion: it helped stanch and reverse the flow of silver into China to pay for the British thirst for Chinese silk, tea, and porcelain, thereby allowing Britain to gain the upper hand in the balance of trade between the two nations. The efforts by Qing officials to curb this imbalance led to the Opium War of 1839-1842. The aftermath of Britain's overwhelming victory during this war entered terms like “unequal treaty” and “extraterritoriality” into the global lexicon of imperialism, setting the stage for the

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<sup>23</sup> Miriam Kingsberg, “The Poppy and the Acacia: Opium and Imperialism in Japanese Dairen and the Kwangtung Leased Territory, 1905-1945,” Ph.D. dissertation, University of California, Berkeley, 2009, 22.

"slicing the Chinese melon" (in which European Powers literally carved-up China into individual spheres of influence), the opening of Japan by Commodore Matthew Perry, and other forms of "new imperialism" by industrializing Euro-American powers.<sup>24</sup> In a sense, Japan's entry into the global opium trade was one more example of how Japan, as the newcomer to the European imperialist grab for land and resources, modeled itself on the British example.

But just as Japan was entering the global opium trade, the world's leading opium opportunist, Great Britain, was putting on the hat of the world's leading anti-narcotics policeman. Among other things, British diplomats wanted to protect the interests of opium trading firms like Jardine Matheson and Samuel and Samuel and to prevent Japan from becoming a more competitive global power through the trafficking of opium.

Behind the veil of the Government-General's self-portrayed success in curbing opium use, there were murmurs that their statistics represented only part of the picture. British officials first suspected Japan of violating the international opium conventions in the mid-1910s when British diplomats started receiving reports about the smuggling of morphine into China. This was first brought to public attention by foreign newspapers such as the *China Mail* and the *North China Daily News*. Compared to opium smoking, which was often viewed as an expensive addiction for the higher classes, morphine was especially dangerous because "even the poorest coolie...can acquire the habit of injection at a cost of as little as 3 cents."<sup>25</sup> The reports linked this smuggling to the legitimate

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<sup>24</sup> For more on opium in China, see, for example, Peter Fay, *Opium War, 1840-1842: Barbarians in the Celestial Empire in the Early Part of the Nineteenth Century and the War by Which They Forced Her Gates* (Chapel Hill, NC: University of North Carolina Press, 1975); Arthur Waley, *The Opium War Through Chinese Eyes* (Stanford, CA: Stanford University Press, 1958).

<sup>25</sup> "The Use of Morphia in Manchuria: An Evil that is Steadily Developing: Indifference of Japanese Officials," *North China Daily News*, September 3, 1915, Enclosure 1 in "No. 2: Sir J. Jordan to Sir

trade of opium for medical purposes conducted by Japanese drug firms like Takeda and Taishō: "All the so-called patent medicine dealers and shopkeepers are engaged in this detestable traffic."<sup>26</sup>

British diplomats subsequently pressured their Japanese colleagues for increased surveillance over its opium trade , and they also began conducting their own investigation of Japan's opium dealings , noting discrepancies between official British and Japanese statistics on opium imports and exports. One report stated that: "The morphia traffic by Japanese in China is the most colossal and profitable monopoly in the world. The drug costs from 16s to 20s per lb., and is sold in China for 100l."<sup>27</sup>

Meanwhile, in colonial Taiwan, Japanese authorities were quick to circulate official statistics that demonstrated the success of the government's opium policy. From 1897 to 1900, the number of registered opium smokers increased from 50,397 to a peak of 169,064 (accounting for 2.1 and 6.3 percent of the population respectively), demonstrating the success of the registration drive. From this 1900 peak, the number of opium smokers, except for a few minor hiccups, steadily decreased: by 1910, the number

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Edward Grey. -- (Received February 3)," Peking, January 6, 1916 in "Further Correspondence respecting Opium, Part X: January to September 1916," Foreign Office, June 1916, in *The Opium Trade, 1910-1941: Volume 3, 1913-1916* (Wilmington, DE; London: Scholarly Resources, Inc., 1974), 7.

<sup>26</sup> Ibid. Similar to Hoshi, Taishō Pharmaceuticals encountered a notable opium smuggling controversy on March and April of 1926 when police officials arrested company officials for smuggling morphine into Dairen from Korea. In 1919, the Government-General in Korea had established an opium monopoly similar to the one in Taiwan, and Taishō had set up a morphine factory in Keijō (Seoul). But because Taishō's controversy occurred while Hoshi's opium trial was still going on, authorities soon "hushed it up," and Taishō faced few penalties other than having to fire the offending employees (Jennings, 57, 127).

<sup>27</sup> "No. 32. Extract from the "Observer" of August 14, 1921: Japan and the Morphia Trade," in "Further Correspondence respecting Opium, Part XVI: July to December 1921, Foreign Office," in *The Opium Trade, 1910-1941: Volume 4, 1917-1921* (Wilmington, DE; London: Scholarly Resources, Inc., 1974), 40.

had fallen to 98,987 (3.2 percent of the population); a decade later, the number fell by more than half to 38,012 (1.3 percent of the population); and by 1941 during wartime mobilization, there were only 7,560 registered opium smokers (accounting for 0.1 percent of the population).<sup>28</sup>

In the wake of World War One, the "opium problem" became a cause célèbre when domestic and international politics overlapped. Amid a fervor of Wilsonian internationalism, Taiwan -- like other colonies and semi-colonies throughout the world -- was the site of an independence movement that sought to overthrow its colonial masters.<sup>29</sup> In Taiwan, physicians often occupied leadership positions by virtue of their elite training and education.<sup>30</sup> Through organizations like the Taiwan People's Party (*Taiwan minshūtō*), these doctors pressed for Taiwan's political liberation using the idiom of opium and modernization. In major newspaper editorials and medical journals, they directly challenged Japan's civilizing mission in Taiwan by questioning the rationale for the Government-General's opium monopoly when opium smoking had long been recognized as a backward social vice.<sup>31</sup> Indeed, an editorial in one such journal, the Chinese-language *Taiwan People's Newspaper* (*Taiwan minbao*) used the Hoshi scandal to call for the immediate end of the Taiwan Opium Monopoly and an immediate ban on

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<sup>28</sup> Ibid., 24; Ryū Meishū (Liu Mingxiu), *Taiwan tōchi to ahen mondai* (Tokyo: Yamakawa shuppansha, 1983), 93, 204.

<sup>29</sup> For more information on anti-colonial nationalism in Taiwan, see Edward I-Tse Chen, "Formosan Political Movements Under Japanese Colonial Rule, 1914-1937," in *The Journal of Asian Studies*, vol. 31., no. 3 (May, 1972).

<sup>30</sup> For more information on the role of doctors in twentieth century nationalist movements in Taiwan, see Ming-Cheng Lo, *Doctors within Borders: Profession, Ethnicity, and Modernity in Colonial Taiwan* (Berkeley, CA: University of California Press, 2002).

<sup>31</sup> Ibid., 73-74.

opium smoking in Taiwan, "lest these immoral acts (*bu daode de shi*) wreak havoc on the discipline of government officials (*raoluan guanji*) or, even worse, court worldwide suspicion (*zhaore shiren de huayi*)."<sup>32</sup>

To foreign and domestic critics, the Government-General's opium policy was hypocritical. They claimed that its purpose was not to cure Taiwanese of the scourge of opium, but to monopolize its demand in order to increase revenue. While proponents of the policy argued that it allowed authorities to discourage opium smoking by setting prohibitively high prices, detractors pointed to the inherent contradictions: why would authorities want to cure opium addiction if selling opium was such a vital revenue source? After all, in an 1895 opinion to Prime Minister Itō Hirobumi, Gotō Shinpei estimated that Government-General authorities in Taiwan could earn over two million yen per year on the opium trade.<sup>33</sup>

Indeed, according to official statistics, revenues from Taiwan's opium monopoly played a vital role in the early financing of the Japanese empire. For the first ten years of the monopoly's existence, profits from opium accounted from between 19.4 to 46.3 percent of the total annual income of Taiwan.<sup>34</sup> Critics also pointed to the fact that the opium paste manufactured by the Opium Monopoly Bureau was sold in three different classes -- from top-quality first grade meant for wealthy connoisseurs, to the relatively inexpensive third grade meant for everyday addicts. If the goal had been to eradicate

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<sup>32</sup> "Pinglun: Taiwan yapian zhengce de liudu: ying su duan xing yanjinzhuyi," in *Taiwan minbao*, November 8, 1925.

<sup>33</sup> Quoted in Ryū Meishū, 50-51.

<sup>34</sup> *Ibid.*, 107, 185, 204.



opium, the question remained: why would authorities sell opium to meet different consumer price points?<sup>35</sup>

### *Hoshi Pharmaceuticals' Role in Japan's Opium Trade*

Taiwan's Opium Monopoly Bureau needed a steady supply of raw opium in order to function. In order to provide this supply, the Government-General first contracted two companies, the Japanese trading firm Mitsui Heavy Industry and Samuel and Samuel of Great Britain, to purchase Indian and Persian opium on the Hong Kong market. It also created a Pharmaceutical Bureau (*Seiyakujo*) in Taiwan in 1896 in order to process raw opium into smoking paste, which, in 1901, became part of the Opium Monopoly Bureau (*Senbai kyoku*) that was charged with controlling the entire supply-chain, from importing raw opium to refining it into smoking paste, to distributing the paste to wholesalers who would, in turn, furnish the product to licensed pharmacies.<sup>36</sup>

The Opium Monopoly Bureau's reliance on imported Indian and Persian opium caused constant problems because it exposed the Bureau to price fluctuations and supply-chain problems in the global market. For example, a sudden rise in the market price of raw opium in 1905 spurred Gotō Shinpei to lease twenty hectares of land in the village of Fukui, in Osaka Prefecture, to test out the large-scale cultivation of poppies, with the aid

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<sup>35</sup> Liu Bi-rong, "Ribei zhimin tizhi xia Xing zhiyao hui she de zheng shang guanxi," Ph.D. diss., National Taiwan Normal University, 2009, 101-102.

<sup>36</sup> Jennings 26-28.

of Nitān'osa Otozō, a farmer later dubbed the "Opium King of Japan."<sup>37</sup> Gotō had known Nitān'osa since 1896, when the latter had petitioned the government to invest in the cultivation and refinement of opium in Japan toward the goal of opium self-sufficiency. Nitān'osa eventually succeeded both in producing poppy with a high enough morphine content for mass production, and in convincing the Japanese Home Ministry to begin purchasing opium from domestic producers. In 1913, the Opium Monopoly Bureau contracted Nakamura Kenjirō and his company, Nakamura Limited, in Osaka to experiment with poppy cultivation.<sup>38</sup>

The ever-present concern of the Opium Monopoly Bureau with maintaining sufficient supplies of raw opium was the opening through which Hoshi Pharmaceuticals was able to enter the opium market. Although Hoshi Pharmaceuticals got its start in the patent medicine business, and quickly became known for its over-the-counter stomach, cold, and children's' remedies, the company was seeking by the 1910s to expand its reach and profit margins. Up to that time, the early pharmaceutical industry in Japan was largely a consumer, rather than research, focused industry.<sup>39</sup> Hoshi staked its future on naturally occurring nitrogenous compounds known as alkaloids. Three of them -- cocaine, morphine, and quinine -- were particularly important for the company as it tried to become one of the world's leading suppliers of these medicines.<sup>40</sup>

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<sup>37</sup> For more on the life and career of Nitān'osa, see Nitān'osa Nakaba, *Sensō to Nihon ahen shi: Ahen ō Nitān'osa Otozō no shōgai* (Tokyo: Subaru shobō, 1977).

<sup>38</sup> Jennings, 40-44.

<sup>39</sup> Nihon no shinyaku hankō kai, ed., *Nihon no shinyaku* (Tokyo: Yakuji nippōsha, 1969), 257-266.

<sup>40</sup> "Senshinkoku e yushutsu suru wagasha no arukaroido" in *Hoshi seiyaku kabushiki gaisha shahō*, July 1, 1920.

This was one of the key characteristics of the early success of Hoshi Pharmaceuticals: rather than invest in laboratory research to discover previously unknown chemical compounds, the company focused its energies on producing already known compounds with medical and therapeutic value. Although Hoshi later expanded its research laboratories to produce vaccines, during the company's wildly successful early years, it was often dismissed by critics as a mere patent medicine producer -- and not a "true" pharmaceutical company -- because it did not focus its energies and capital on research and development.<sup>41</sup> The company likely took this approach because research is expensive and unpredictable. In contrast, a focus on alkaloids, which mainly involved procuring, extracting, and refining the compounds from raw materials, using already well-established technologies, did not carry the same risks as attempting to research and develop lesser-known substances. But that did not mean that Hoshi did not encounter obstacles as it entered the alkaloid market.

Hoshi Pharmaceuticals began its foray into the production of alkaloids by focusing on morphine. As generally eight to fourteen percent of the dry weight of opium poppy (*Papaver somniferum*), morphine is the most abundant among fifty-odd alkaloids including codeine, thebaine, papaverine, narcotine, and narceine. Most of the morphine content of the opium poppy is contained in the seed pods, the juice from which is collected and dried into a sticky, brownish or yellowish latex-like substance: raw

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<sup>41</sup> Nishikawa Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tokyo: Yakuji nippōsha, 2010), 68; Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyo* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1929), 12; Matsue Mitsuyuki, *Takeda yakuhin to Taishō seiyaku* (Tokyo: Hyōgen sha, 1956), 40.

opium.<sup>42</sup> The labor-intensive method of harvesting opium poppy and extracting raw opium has largely remained the same since at least 1500 B.C.: it is done by hand, by cutting unripe seed pods and scraping off the raw opium, which is then laid out in the sun to dry before storing.<sup>43</sup>

In the nineteenth-century, morphine -- along with the other alkaloids derived from opium -- was ideally suited for large-scale industrial production and the expansion of global trade. First, because harvesting was so labor intensive, morphine production relied upon cheap labor found in less-developed regions like the Middle East and India, despite high transportation costs and the ability of opium to grow almost anywhere. Second, due to ever-improving scientific methods of isolating and refining of alkaloids, the quality of the end product sold to consumers became increasingly predictable and replicable on a large scale, thus saving costs for producers and benefitting consumers, who became accustomed to the characteristics of certain products. Because morphine was much more reliable than raw opium, whose morphine content could vary wildly, doctors could prescribe dosages to patients more accurately (and addicts could develop tastes for products of a certain potency). The global supply chain and market for commodities like morphine helped spur the development of the chemical and pharmaceutical industry at this time: it created a division of labor, as some companies

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<sup>42</sup> Containing a morphine content of anywhere from five percent to twenty percent, raw opium has been one of the most important medicines in human history for its painkilling and psychoactive effects. Archaeologists have traced its earliest use to as early as the Neolithic Era, and records of its medicinal use have been dated to 2100 B.C. in Sumer. Since the discovery of the opium poppy, which is native to southeastern Europe and western Asia, opium has been consumed in various ways, from directly ingesting the seeds to drinking opium-infused beer and wine, to what became the most popular method -- smoking the product as a paste.

<sup>43</sup> Jan-Willem Gerritsen, *The Control of Fuddle and Flash: A Sociological History of the Regulation of Alcohol and Opiates* (Leiden, Netherlands: Brill, 2000), 41-47; L.D. Kapoor, *Opium Poppy: Botany, Chemistry, and Pharmacology* (Binghamton, NY: The Haworth Press, 1995), 43.

specialized in producing certain medicines on a large scale while others became retailers, and still others focused on procuring the raw materials for these medicines.<sup>44</sup>

Hoshi Hajime relied upon connections he had cultivated in the United States in order to enter the morphine market, the most important of which was with Gotō Shinpei. Gotō had access to Japan's opium monopoly in colonial Taiwan, a bureau that he had indeed helped to create. Hoshi Hajime's connections to Gotō provided him access to the top figures in the Opium Monopoly Bureau, the most important -- and perhaps most infamous -- of whom was its director at the time, Kaku Sagutarō, who became a key ally for Hoshi. In 1913, Hoshi made use of these connections to send scientists to the Monopoly Bureau's opium production facilities to learn how to refine raw opium into a suitable smoking paste. Hoshi's chemists found that one of the by-products of refining raw opium to produce salable smoking paste was residual crude morphine (*somatsu moruhine*), which was considered a waste product, but which provided the key to Hoshi Pharmaceuticals' early success.<sup>45</sup>

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<sup>44</sup> See Gettisen, 43-48. In the early nineteenth-century, raw opium was brought into the laboratory. In 1804, the German pharmacist Friedrich Sertürner was the first person to isolate the alkaloid, and in an 1805 article in the German *Journal der Pharmazie*, he gave the compound its name, naming it after Morpheus the mythological Greek god of sleep and dreams. In 1817, Sertürner was also the first person to refine and distribute morphine as a medicine. In 1821, scientists isolated another alkaloid from opium, codeine. In 1827, Merck was the first to commercially sell morphine, and by the mid-1930s, morphine was already routinely prescribed in England. Morphine, by this time, was produced in a variety of forms, from tablets to powders to suppositories to intravenous injections.

Morphine quickly became well known for its analgesic and psychoactive properties, but also for its addictiveness. In response, towards the end of the nineteenth century, chemists in research laboratories started attempting to manipulate morphine in order to reduce its addictive side effects. In 1874, the English chemist C.R. Alder Wright succeeded by creating the semi-synthetic diacetylmorphine, which as the name suggests, was composed of morphine with the addition of two acetyl groups. He published his work in the *Journal of the Chemical Society*, and twenty years later, the German pharmaceutical company, Bayer, mass-produced diacetylmorphine under the name heroin, advertising it as a drug "with a stronger and more powerful effect than morphine and codeine, but without the adverse addictive side-effects for which morphine has by now become so notorious."

<sup>45</sup> Liu Bi-rong, 95.

After consulting with his chemists who assured Hoshi that morphine could, in fact, be extracted from residual crude morphine, Hoshi made a proposal to the Government-General's Opium Monopoly Bureau, which made use of his connections around the world: in exchange for an exclusive contract to purchase crude morphine Hoshi would help negotiate contracts that would supply the Bureau with raw Turkish opium as a substitute for opium from India and Persia. The Opium Monopoly Bureau would benefit because Turkish opium was much cheaper and had higher morphine content than opium from either India or Persia.<sup>46</sup> Hoshi Pharmaceuticals would benefit because the company could exploit a loophole in Japan's Opium Law: although the Law prohibited private citizens from handling refined morphine, crude morphine was not mentioned. In 1914, Hoshi Pharmaceuticals and the Taiwan Government-General agreed on terms, and it became the first private Japanese corporation legally able to produce morphine. In 1915, Hoshi became the first company in Japan to succeed in refining salable morphine from crude morphine. According to company sources, Hoshi Pharmaceuticals' scientists, led by Nagashima Fujiyoshi, spent roughly seventy-five days and more than 50,000 yen trying to perfect their methods in isolating the alkaloid.<sup>47</sup>

The contract between Hoshi Pharmaceuticals and the Opium Monopoly Bureau in Taiwan was beneficial for both parties. The outbreak of World War One in 1914 cut off the supply of medicines from Europe, leading to shortages as well as an inflationary spiral in the cost of drugs. Japan's declaration of war against Germany worsened the

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<sup>46</sup> At the time, 600 grams of raw Indian opium cost twelve yen and had a morphine content of approximately 6%; 600 grams of raw Persian opium cost twelve yen and had a morphine content between 9 and 10%; 600 grams of raw Turkish opium cost 12.5 yen and had a morphine content between 10 and 16%.

<sup>47</sup> Ōyama, 171-173; Liu Bi-rong, 95.

situation, leading to an official embargo on German goods.<sup>48</sup> Japan's supply of morphine, one of the most important modern medicines, was particularly affected. Not only did most of Japan's supply of processed morphine come from Germany, but as injuries accumulated in the European trenches as the war wore on, the demand for morphine as a painkiller exponentially increased as well, leading to skyrocketing prices in the wholesale price of opium worldwide.

From August 1914 to the end of 1916, the price of a kilogram of Indian raw opium had increased from 937 yen to 2,336 yen and the price of Persian opium had increased from 1,056 yen to 2,460 yen.<sup>49</sup> Although the domestic production of opium -- largely from Nitani's Otsu's firm based in Osaka -- increased from roughly 15 kilograms in 1914 to a peak of 1,470 kilograms in 1917, Japan still largely depended on raw opium imported from abroad, which increased from roughly 5,124 kilograms in 1914 to 16,690 kilograms in 1917.<sup>50</sup> There are no statistics available on Hoshi Pharmaceuticals' role in Japan's opium trade during the war, but its influence after the war is clear: from 1919 to 1922, of the 183,778 kilograms of raw opium the Taiwan Opium Monopoly Bureau imported from Turkey, 116,784 kilograms were purchased from Hoshi Pharmaceuticals; from 1916 to 1918, the Bureau did not import any opium from Turkey, but in 1919, more than 42% of its imported raw opium was of Turkish origin, and this increased to more than 60% in 1920.<sup>51</sup>

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<sup>48</sup> Nihon yakushi gakkai, ed., *Nihon iyakuhin sangyōshi* (Tokyo: Yakushi nippōsha, 1995), 56-57.

<sup>49</sup> Jennings, 43.

<sup>50</sup> Quoted in Jennings, 46-47.

<sup>51</sup> Liu Bi-rong, 102, 110. So far, I have yet to find Hoshi Pharmaceuticals' statistics on opium for 1915 and 1916.

Hoshi Pharmaceuticals' dominance over Japan's opium trade attracted global attention. For British officials who had been skeptical of the Japanese government's efforts to curb illicit trafficking of opium while it actively profited from the opium trade, the goal was to find proof of a link between opium intended for legitimate medical use and its illegal trade in China. They finally pinpointed their suspicions to the opium monopoly in Taiwan and, specifically, to Hoshi Pharmaceuticals. After discovering Hoshi's contract to purchase crude morphine from the Taiwan Opium Monopoly Bureau and its role as a purchaser and distributor of raw opium from Turkey to Taiwan, they began to pressure Japanese authorities.

In the report of a meeting with Kaku Sagutarō, the director of the Taiwan Opium Monopoly, the acting British consul in Formosa wrote:

Mr. Kaku said that his bureau produced about 300 kin of very inferior morphia per month, and that it was sold to the Hoshi Drug Company. None of it could be consumed in Formosa, for medicinal or any other purposes.... the whole of this morphia was exported by the Hoshi Company to Japan for medicinal purposes, but that he could not be held responsible for the disposal of the drug when once it had passed out of the control of his bureau and out of this island...I venture to think that the crux of the Formosa opium question lies in the disposal of morphia by the Hoshi Drug Company.<sup>52</sup>

British officials viewed this statement as a tacit admission that the Japanese government had knowledge of Hoshi Pharmaceuticals' involvement in the illegal drug trade. A 1921 report to the British Foreign Secretary further argued that "morphia sold to Hoshi drug company, who profess to export it to Japan for medicinal purposes...is really exported

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<sup>52</sup> 1 kin is equivalent to roughly 600 grams. "Enclosure in No. 82. Acting Consul Butler to Sir C. Eliot," Tamsui, Formosa, September 20, 1920, in "No. 82. Sir C. Eliot to Earl Curzon. -- (Received April 13)," Tokyo, February 26, 1921, in "Further Correspondence representing Opium, Part XV," in *The Opium Trade, 1919-1941: Volume 4: 1917-1921* (Wilmington, Delaware and London: Scholarly Resources, Inc., 1974), 108-110.



secretly to China, because the official figures showing the amount of drugs exported to Japan are not sufficiently large to cover the amount of morphia which is admittedly handed over to the Hoshi Company."<sup>53</sup>

In early 1923, British officials felt vindicated when it received reports that Hoshi Pharmaceuticals' actions were questioned in the Japanese Diet. To them, this not only demonstrated that their suspicions were correct with regard to Hoshi's opium trafficking, but that Hoshi was not backed unconditionally -- rather there were distinct cleavages, not only between political parties but also between the aims of the government in Tokyo and the Government-General in Taiwan. According to one report:

The government could not at once stop the operations of the Hoshi Pharmaceutical Company. Even before the regulations of 1917 were drawn up, that firm had been buying morphine from the Formosan Government, and it has been making the drug in Japan up to the present moment. For historical reasons (Its long connection with the Formosan Government?) and because it would have been unduly harsh to deal a heavy blow to a firm which had been doing business on a big scale, the authorities would not stop the firm's operations immediately, and accordingly in 1922 a license to import a suitable quantity (of morphine) had been issued.<sup>54</sup>

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<sup>53</sup> "Enclosure in No. 19. Report on Formosa," in "No. 19 Sir C. Eliot to Earl Curzon.--(Received July 25), Tokyo, June 22, 1921, in "Further Correspondence respecting Opium, Part XVI: July to December 1921," Foreign Office, in *The Opium Trade, 1919-1941: Volume 4: 1917-1921* (Wilmington, Delaware and London: Scholarly Resources, Inc., 1974) 26.

<sup>54</sup> "Enclosure in No. 27: Questions asked in the Japanese Diet on the subject of Morphine and Opium," in "No. 27. Sir C. Eliot to the Marquess Curzon of Kedleston. --(Received April 5)," Tokyo, February 27, 1923, in "Further Correspondence respecting Opium, Part XIX: January to June 1923," Foreign Office, in *The Opium Trade, 1910-1941: Volume 5, 1922-1926* (Wilmington, DE; London: Scholarly Resources, Inc., 1974), 52-54.

*Hoshi Pharmaceuticals' Defense and the Opium Scandal in Revision*

Beginning in October of 1926, barely a month after Hoshi Hajime and his co-defendants were declared not guilty in their third and penultimate trial in the Taiwan Higher Court, Hoshi Pharmaceuticals and its supporters attempted to paint the company as an unlucky victim of the sweeping political changes that occurred in the Japanese government at the time, particularly, the rise of party politics in the 1910s and 1920s. They did this through a series of publications for public consumption. One was titled, *Ahen jiken (Opium Incident)*, which was distributed to Hoshi's stock and bondholders.<sup>55</sup> Another was a pamphlet titled, *Ahen jiken no shinsō (The Truth about the Opium Incident)*, which was the twenty-sixth volume of a government-sponsored publication that covered Japan's colonial interests in the southern hemisphere, *Taiwan, Nanshi, Nanyō panfuretto (Pamphlet: Taiwan, South China, South Seas)*.<sup>56</sup> A third was an edited compilation of the major points in Hoshi's chief lawyer, Hanai Tetsuzō's oral arguments.<sup>57</sup> In 1927, the company published word-for-word transcripts of every oral argument in trial, *The Whole Truth about the Opium Scandal (Ahen jiken tenmatsu)*.<sup>58</sup> In 1967, Hoshi Hajime's son, Shin'ichi, published *Bureaucrats are Powerful: The People Are Weak (Jinmin wa yowashi, kanshi wa tsuyoshi)* to deliver this narrative to a popular audience.<sup>59</sup>

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<sup>55</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1926).

<sup>56</sup> *Taiwan, Nanshi, Nanyō panfuretto* (Taihoku: Takushoku tsūshinsha, 1926).

<sup>57</sup> Hanai Tetsuzō, *Ahen jiken benron sokki* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1926).

<sup>58</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken tenmatsu* (Tokyo: Hoshi seiyaku, 1927).

<sup>59</sup> Hoshi Shin'ichi, *Jinmin wa yowashi, Kanri wa tsuyoshi* (Tokyo: Shinchōsha, [1967] 2006). This was written fifteen years after Shin'ichi had stepped down from the presidency of the company, and

Together, these works provide a one-sided narrative that portrayed Hoshi Pharmaceuticals as the blameless victim of international pressure, bureaucratic incompetence, and a nepotistic, collusive relationship between politicians, bureaucrats and industrial elites. Hoshi, in contrast, appeared as the embodiment of honest hard work and the common-sense benefits of free market competition.<sup>60</sup> The company did not dispute that it had officially violated the Opium Law by transporting and attempting to sell the opium in question. Rather, it based its defense by providing the rationale for these actions, and stated that it had no control over opium once it had passed out of its hands.

First, Hoshi argued that it performed its purported violations to benefit the Taiwan Government-General, which was its official contractor. The opium cases in question, which were stored in bonded warehouses in Yokohama and then transported to Otaru and Jilong, were purchased for the Taiwan Opium Monopoly Bureau. After the end of World War One, when the price of opium precipitously dropped, Hoshi Pharmaceuticals took advantage of the situation by purchasing a surplus amount of opium from its suppliers in Turkey and storing them in Yokohama warehouses as a buffer in case prices went up.<sup>61</sup> This was done at the request of one of Hoshi's key allies, Kaku Sagutarō, the head of the Opium Monopoly Bureau.<sup>62</sup>

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sold off his family's stake to the industrialist Ōtani Yonetarō to embark on a career as a science fiction writer.

<sup>60</sup> Ōyama 1949, 173-181; Hoshi Shin'ichi, 99, 166-177.

<sup>61</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1926), 22-24.

<sup>62</sup> Hoshi Shin'ichi, 110-112.

Second, the company argued that the enforcement of the Opium Law was unclear. According to Hoshi, he had been originally told by authorities both in the Government-General and the Hygiene Bureau of the Home Ministry that storing opium in bonded customs warehouses in Yokohama did not violate the Opium Law; technically, those locations were legally still outside of Japan. In the summer of 1921, he received a notice from the director of the Yokohama Customs Bureau that he needed to move the opium because it was in violation. The director told him that this resulted from increased international suspicion and surveillance of Japan's opium trading after a vessel containing opium from Kobe was captured on its way to China.<sup>63</sup> Hoshi describes how he met with various bureaucrats from the Finance and Home Ministries, some of whom had assured him that he was not breaking the rules, and others who urged him to legally sell abroad as quickly as possible to avoid international watchdogs. Hoshi decided that he had no other choice but to sell, and he quickly found a Russian firm, Yakuro Trading, through the contacts of the Home Ministry.<sup>64</sup> Hoshi did not know that it was illegal to sell opium to the Soviet Union, and subsequently sent two shipments to Vladivostok.<sup>65</sup>

Although the first shipment made it safely to Vladivostok, the other did not because it lacked proper authorization. Customs authorities impounded that shipment in Japan's closest port, Otaru.<sup>66</sup> After a home ministry bureaucrat helped Hoshi recover his cargo, Hoshi then attempted to transfer it to a warehouse in Jilong for safekeeping.

Although Hoshi claimed his cargo had permission to enter Jilong, customs authorities

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<sup>63</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 24.

<sup>64</sup> *Ibid.*, 25-26.

<sup>65</sup> *Ibid.*, 37-39.

<sup>66</sup> The company called this the "Otaru incident."

nevertheless confiscated the cargo and cited Hoshi for a violation. Hoshi maintained that his sale of opium was not an illicit conspiracy to traffic opium, but was forced upon him by unforeseen circumstances. It occurred in the post-World War One economic downturn, at a time when the global price of opium was low, and it was not in his company's best interest to lock in its losses by selling off its opium stocks.<sup>67</sup>

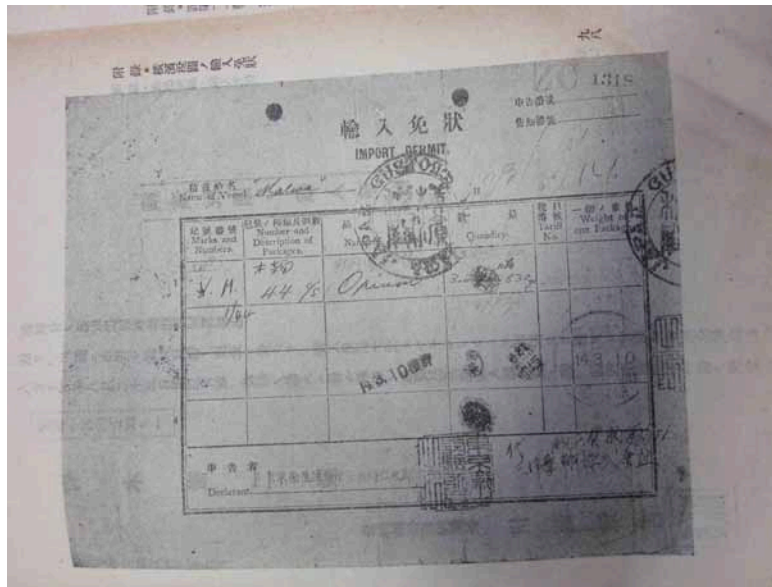


Fig 3.1: "Import Permit (*Yūnyū menjō*)" in Hoshi seiyaku kabushiki gaisha, *Ahen jiken tenmatsu* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1927), 97.

Third, and most important, Hoshi Pharmaceuticals argued that it was a victim of political intrigue during the rise of party politics in the 1910s and 1920s, known as the period of “Taishō Democracy.” Hoshi was a casualty of war between two men and their power bases: Katō Kōmei (1860-1926) and his Kenseikai Party and Gotō Shinpei, who was affiliated with the rival Seiyūkai Party. Because Hoshi had been a major financial backer of Gotō's political endeavors, Katō tried to destroy Hoshi Pharmaceuticals in order

<sup>67</sup> Ibid., 25-28; 37-39.

to bring down Gotō Shinpei.<sup>68</sup> According to this narrative, the opium scandal resulted from unseemly partisan politics after the rise to power of the Kenseikai in 1924. Katō Kōmei was depicted as a member of an entrenched elite whose wife was the eldest daughter of Iwasaki Yatarō, the founder of the Mitsubishi zaibatsu.<sup>69</sup> After assuming power in 1924, Katō -- along with his colleague, Adachi Kenzō -- attempted revenge by attacking Gotō's economic power base, which many believed was Hoshi Pharmaceuticals.<sup>70</sup> Katō and Adachi then allied with the president of Hoshi Pharmaceuticals' greatest competitor at the time, Shiobara Matasaku (1877-1955) of Sankyō Pharmaceuticals.

Sankyō's history was very similar to Hoshi's. Shiobara founded Sankyō in Yokohama in 1899 with two friends, Nishimura Shōtarō (1864-1945) and Fukui Genjirō (1874-1938) as Sankyō Pharmacy (*Sankyō yakuten*) (in Japanese, Sankyō means "three together"). The three of them had studied in the United States and had become importers of Western goods after they returned to Japan. They formed Sankyō for one

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<sup>68</sup> Dickinson, 66, 84-92, 156-162; Metzler, 99-100. Katō Kōmei and Gotō Shinpei had a long history as rivals in the era of pre-war party politics known as Taishō Democracy. They first butted heads in the wake of the Taishō political crisis of 1913 when both aspired to the presidency of the newly formed Dōshikai party, with Katō winning out. After the election of the Dōshikai's Ōkuma Shigenobu in 1914, Katō refused Gotō a seat in the cabinet. Gotō retaliated by joining the rival Seiyūkai party, and became one of the Ōkuma cabinet's harshest critics. Gotō -- like his other illustrious colleagues -- focused much of his criticism on the Ōkuma government's China policy when Katō was foreign minister. In 1915, the Ōkuma government presented Yuan Shikai's government with the infamous Twenty-One Demands, which marked Japan's formal entry into the imperialist scramble for political and economic concessions in China. After the Ōkuma cabinet fell due to scandal, General Terauchi Masatake, at the time the Governor-General of Korea, became prime minister over in 1916, and brought Gotō into the cabinet, first as the home minister and later, as foreign minister. As a key minister in the cabinet, Gotō formulated the Terauchi Cabinet's reversal of Ōkuma and Katō's stance towards China in favor of a policy of political autonomy and economic dependency.

<sup>69</sup> Hoshi Shin'ichi, 106.

<sup>70</sup> Hoshi Shin'ichi, 105-107.

goal: to import Taka-diastase, the popular digestive enzyme produced by a Japanese chemist living in New York, Takamine Jōkichi (1854-1922), and licensed by the pharmaceutical firm, Parke, Davis and Company based in Detroit, Michigan.<sup>71</sup> Sankyō gained its early wealth through its connections to Takamine, who, like Hoshi Hajime, was involved in fostering U.S.-Japan relations, as well as to the U.S. pharmaceutical firm Parke Davis.<sup>72</sup> Beginning in 1899, Sankyō was the exclusive importer and trader of Taka-diastase in Japan, and from 1902, it held exclusive rights to another Takamine-produced and Parke-Davis licensed drug, adrenaline. In these early years, Sankyō was the exclusive distributor for Parke Davis products in Japan. In 1913, Sankyō Pharmaceuticals was founded as a merger between Sankyō Pharmacy and Takamine's research laboratory, and Takamine became the first president.<sup>73</sup>

According to Hoshi Pharmaceuticals' narrative, the political-industrial alliance between Sankyō and the Kenseikai targeted Hoshi's close-knit relationship to the Taiwan Opium Monopoly. The Katō cabinet first replaced many of the personnel in the Taiwan Government-General's office, which had long been controlled by people loyal to Gotō, such as Governor-General Izawa Takio. Then the pro-Kenseikai bureaucrats broke the Taiwan Opium Monopoly Bureau's contract to sell discounted crude morphine to Hoshi Pharmaceuticals in early 1924, almost immediately after they assumed power. They

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<sup>71</sup> Takamine owned his own research laboratory and often contracted with Parke Davis.

<sup>72</sup> Takamine founded the Nippon Club at 161 West 93<sup>rd</sup> Street and Riverside and donated many of the cherry blossom trees in Washington D.C.

<sup>73</sup> Sankyō kabushiki gaisha, ed., *Sankyō hyaku-nen shi: shiryōhen* (Tokyo: Sankyō kabushiki gaisha, 2000), 2-29, 48-59. For more information on Takamine, see Shiobara Matasaku, ed., *Takamine Jōkichi* (Tokyo: Shiobara Matasaku, 1926).

also attacked Hoshi by revising Japan's regulations on manufacturing and selling opium.<sup>74</sup>

In this narrative, Sankyō Pharmaceuticals entered the story in 1916 with the promulgation of the Law for Promoting the Production of Medicine and Dyes (*Senryō iyakuhin seizō shōrei hō*). This law provided economic incentives to spur the domestic production of Western medicines like santonin (a medicine used to kill parasitic worms), salvarsan (for the treatment of syphilis), and salicylic acid to make up for their shortages during World War One.<sup>75</sup> But one of the provisions also called for the establishment of two government-sponsored corporations, Tōyō Pharmaceuticals and Naikoku Pharmaceuticals, the latter of which was to be directed by Shiobara Matasaku of Sankyō Pharmaceuticals. Shiobara Matasaku's company, according to the narrative, had the Home Ministry's Hygiene Bureau under their thumb. The narrative went so far as to describe widespread rumors about Shiobara bribing Home Ministry officials with over a million yen in order to gain a controlling stake in Naikoku.<sup>76</sup> Armed with a link to Sankyō, a starting capital of 1,000,000, and government support that prevented it from failing, Naikoku Pharmaceuticals represented unfair government intervention against the heroic, free market individualism of Hoshi Pharmaceuticals.<sup>77</sup>

According to Hoshi's narrative, the company had another notable encounter with Sankyō in 1917 over a revision of the Opium Law, which renewed the company's belief

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<sup>74</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 2-16; Liu Bi-rong, 113-114.

<sup>75</sup> Nihon yakushi gakkai, *Nihon iyakuhin sangyōshi* (Tokyo: Yakushi nippōsha, 1995), 56-57.

<sup>76</sup> Hoshi Shin'ichi, 53, 168.

<sup>77</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 14-18; Hoshi Shin'ichi 54-56; Sankyō seiyaku kabushiki gaisha, *Sankyō rokujū nen shi*, 48-53.



that it was the victim of a conspiracy. At the time, Hoshi's exclusive contract to purchase crude morphine from the Taiwan Opium Monopoly Bureau had become a subject of debate within the Diet, and although the authorities from the Government-General -- particularly the Governor-General Akashi Motojirō (1864-1919) -- continued to support Hoshi, the controversy ultimately led to an expansion of the Opium Law to allow civilian manufacturers to purchase raw opium expressly for the purpose of producing morphine, heroin, and other opium-based alkaloids.<sup>78</sup> This law gave exclusive permission to manufacture opium-based narcotics to three other pharmaceutical firms in addition to Hoshi: Naikoku Pharmaceuticals, Dai-Nippon Pharmaceuticals, and Radium Pharmaceuticals.<sup>79</sup>

Hoshi Hajime was opposed to the law because it required raw opium to be purchased from government authorities. As a staunch defender of *laissez-faire* principles, Hoshi felt that Japan would be better off if procuring raw materials were left to each company's own devices so that competition would reduce prices.<sup>80</sup> In response to these revisions to the Opium Law, Hoshi offered to combine forces with the other pharmaceutical companies to collectively purchase raw opium in order to drive down prices, but this ultimately failed.<sup>81</sup> In the same year, Hoshi failed to gain government support for a plan to have the four companies join together to promote the domestic production of opium. Known as the Association for Promoting Poppy Cultivation

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<sup>78</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 14-18; Hoshi Shin'ichi, 72-78.

<sup>79</sup> Dai Nippon seiyaku kabushiki gaisha, *Dai Nippon seiyaku roku-jū nen shi* (Osaka: Dai Nippon seiyaku kabushiki gaisha, 1957), 70-72.

<sup>80</sup> Hoshi Shin'ichi, 79-81.

<sup>81</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 13.

(*Keshi saibai shōrei kumiai*), this plan called for the experimentation of poppy cultivation near Osaka and attempted to bring poppy cultivation to Korea.<sup>82</sup> In 1920, Sankyō Pharmaceuticals ultimately took over Naikoku Pharmaceuticals after it went bankrupt.<sup>83</sup> To Hoshi, the government-funded Naikoku Pharmaceuticals failed because of the largesse it received: its advantages as a publicly funded company made its management and workers lazy.

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There are many problems with Hoshi Pharmaceuticals' victimization narrative. In a critique of Hoshi Shin'ichi's *Bureaucrats are Powerful: The People Are Weak*, the postwar intellectual Tsurumi Shunsuke (1922-) noted "Hoshi Shin'ichi was unable to take revenge on his father's enemies in the business world...he was only able to carry out his revenge after he had entered the realm of literature. He certainly pulled no punches."<sup>84</sup> The Tsurumi and Hoshi families were close. Tsurumi's father, Yūsuke, was a family friend of Hajime, and in his critique, Tsurumi fondly recalls seeing Hoshi Hajime "driving his white Packard" to his home for almost daily meetings with his father. In the 1930s and 1940s, Yūsuke wrote what remains today the definitive biography of Gotō Shinpei.<sup>85</sup> Although he supported Shin'ichi's efforts as well as the broad outlines of his

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<sup>82</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 21-22; Jennings, 54.

<sup>83</sup> Hoshi Shin'ichi, 61-62; Sankyō seiyaku kabushiki gaisha, *Sankyō rokujū nen shi*, 52.

<sup>84</sup> Tsurumi Shunsuke, "Kaisetsu," in Hoshi Shin'ichi, *Jinmin wa yowashi kanri wa tsuyoshi* (Tokyo: Shinchōsha, [1978] 2006), 305-308.

<sup>85</sup> Tsurumi Yūsuke, *Kettaiban, seiden Gotō Shinpei*, annotated and revised by Ikkai Tomoyoshi (Tokyo: Fujiwara shoten [1937-1949] 2004-2007).

narrative, Tsurumi had no choice but to label his work what it was: a one-sided revenge to rescue his father's name.

In an investigation of the power structure behind Gotō Shinpei's political networks, the political scientist, Daba Hiroshi, demonstrated how the opium scandal resulted, in part, from suspicions that the National Diet had about monopoly rights granted by the Taiwan-Government General to Hoshi Pharmaceuticals. This was first brought to public attention in a meeting of the Diet in 1919 when a member questioned why Hoshi Pharmaceuticals had been the only private company granted the exclusive right to purchase crude morphine, thereby bringing suspicion of Hoshi's cozy relationship with colonial bureaucrats. This centered on the Taiwan Women's Philanthropy Association (*Taiwan fujin jizenkai*), whose leading members were the wives of high-level bureaucrats in the Government-General and whose first president was Gotō Shinpei's wife, Kazuko. As an incorporated foundation (*zaimu hōjin*), its finances were public knowledge, and its holdings of 100,000 yen worth of Hoshi Pharmaceuticals stock had come to the attention of authorities. The Diet member who brought this attention to the floor was a former medical doctor and current Seiyūkai politician, Tsuchiya Seizaburō.<sup>86</sup>

In addition, Gotō Shinpei was home minister during the promulgation of the Law for the Promotion of Medicines and the establishment of Naikoku Pharmaceuticals. He was also the author of the 1917 revision to the Opium Law that opened up the manufacture of opium-based narcotics to three other pharmaceutical firms including Naikoku Pharmaceuticals. It thus seems very unlikely that Gotō purposefully wanted to attack Hoshi to bring himself down.

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<sup>86</sup> Daba Hiroshi, *Gotō Shinpei o meguru kenryoku kōzō no kenkyū* (Tokyo: Nansōsha, 2007), 140-144.

Hoshi Pharmaceuticals' narrative of the opium scandal is also hypocritical. Hoshi Hajime was widely seen as a prominent figure of his generation (*jidai no chōji*), and it's easy to see how his competitors might have envied the preferential treatment he received.<sup>87</sup> Accusations directed at Katō Kōmei, the Kenseikai, the Home Ministry, Shiobara Matasaku, and Sankyō Pharmaceuticals applied just as well to Gotō Shinpei, the Seiyūkai, the Taiwan Monopoly Bureau, Hoshi Hajime, and Hoshi Pharmaceuticals. Hoshi Hajime was well connected to Japan's policymakers and elite intellectual circles, and his company's extraordinary early success relied upon these connections as much as they relied upon his individual endeavors and the hard work of his employees. These close-knit ties facilitated his company's monopoly over Japan's narcotics market and its exclusive contract to purchase discounted crude morphine from Taiwan's Monopoly Bureau. Hoshi Hajime's wife might not have been the daughter of one of Japan's most influential industrial conglomerates, but as a relative of the famous writer and doctor Mori Ōgai (1862-1922), she was no nonentity either.<sup>88</sup>

Perhaps the most unsettling aspect of Hoshi Pharmaceuticals' defense of its actions during the opium scandal may be what it reveals about politics during the era of "Taishō Democracy" in Japan and the nature of the relationship between government and industry. For example, Gotō Shinpei, the primary heroic victim not named Hoshi in the story, was a member of the old-guard oligarchy who favored bureaucratic control. The corrupt and nepotistic villain of the story, Katō Kōmei, was an outspoken supporter of parliamentary government and electoral democracy. As an Anglophile, Katō sought to

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<sup>87</sup> Nishikawa Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tokyo: Yakuji nippōsha, 2010), 68.

<sup>88</sup> Saishō, 34.

guide Japan toward the British model of parliamentary democracy. He had fought to continue the Anglo-Japanese alliance in 1922, and had "almost singlehandedly decided upon Japanese participation in the Great War" on the side of the British.<sup>89</sup> In the words of Frederick Dickinson, Katō "boasted an impressive record of defiance of oligarchic rule"; his "outspokenness and refusal to compromise on matters of principles earned him a reputation for being 'outrageously straightforward' (*baka shōjiki*) and 'argumentative' (*kenka zuki*)."<sup>90</sup> According to Sheldon Garon, the Kenseikai were proponents of a "socially minded variety of British liberalism," that aimed to "reform Japanese industrial relations and political institutions in accordance with what party spokesmen termed the democratic 'trends of the world.'"<sup>91</sup> Hoshi, meanwhile, had a very illiberal supporter in Sugiyama Shigemaru, the leader of the right-wing ultranationalist group, the Gen'yōsha.

In his corporate pronouncements, Hoshi Hajime frequently invoked words like freedom and democracy. He claimed that his company's medicines offered greater freedom from illness and disease, and purchasing its products offered consumers the freedom of choice as well as the freedom to attain a higher standard of living. Hoshi Pharmaceuticals' extensive chain store network sought to "bring patent medicines to the masses (*baiyaku no minshūka*)" by providing access to everyday medicines to even the most rural regions.<sup>92</sup> The company declared that it actively participated in the process

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<sup>89</sup> Dickinson, 36-40.

<sup>90</sup> Ibid, 37, 60.

<sup>91</sup> Sheldon Garon. *The State and Labor in Modern Japan* (Berkeley, CA: University of California Press, 1987), 63-64.

<sup>92</sup> "Baiyaku no minshūka" in *Hoshi seiyaku kabushiki gaisha shahō*, October 15, 1924.

of what the noted American political scientist of the time, Franklin Giddens, called "democratic imperialism," the idea, as shown by the example of the British Empire, that:

when a nation makes itself the nucleus of an empire, step by step extending its sway over distant lands and peoples successively annexed...it can become decade after decade more democratic; it can even permit its colonies or dependencies to be democratic...all on the one inviolable condition that, *as it lengthens the reach of government, it must curtail the functions of government.*<sup>93</sup>

From the perspective of Hoshi Hajime and his defenders, the company's suffering as a result of the opium scandal was a parable of the evils of excessive government intervention that curbed the rights of successful and self-made, private enterprises. In the closing statement of the final opium trial, on October 20, 1925, Hoshi Hajime cited the French economist Paul Leroy-Beaulieu's "Madagascar Theory of Colonialism," as a way to legitimate his company's actions and to criticize prosecutors for the harm in bringing his company to trial in the first place:

Because the French government had a tendency to envy private enterprise, French colonies did not prosper; on the other hand, because the British government and the English people helped these enterprises and freely assisted their activities, English colonies prospered. With regard to envy, Japanese bureaucrats were as bad as the French. In addition, among civilized nations, the notion of revenge is of utmost importance. Achieving revenge derived from envy does not settle anything.<sup>94</sup>

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<sup>93</sup> "Demokratikku inperiarizumu," in *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1919 and April 15, 1919; Franklin Giddens, *Democracy and Empire, with Studies of their Psychological, Economic, and Moral Foundations* (New York: Macmillan and Company, 1900) 11-12.

<sup>94</sup> Hoshi seiyaku kabushiki gaisha, *Ahen jiken*, 28. Hoshi was looking, of course at trading companies like the British East India Company and Jardine Matheson. See, for example, H.V. Bowen, *The Business of Empire: The East India Company and Imperial Britain, 1756-1833* (Cambridge, UK: Cambridge University Press, 2006) and Robert Blake, *Jardine Matheson: Traders of the Far East* (London, UK: Weidenfeld and Nicolson, 1999). In his 1934 roundtable discussion on cinchona cultivation in Taiwan, Hoshi discussed a conversation that he had with Itō Hirobumi about Le-Roy Beaulieu's work, when Itō had just started his position as the Korea's first Governor-General in 1905. According to Hoshi, Itō provided two examples to support Leroy-Beaulieu's theory about Britain's success: Cecil Rhodes and his De Beers diamond company in South Africa and Robert Clive and Warren Hastings of the British East India Company. The British Empire succeeded because the government gave enormous control (*tainaru tōseiken*) to these men, and Japan needed to follow the British example. But because Japan was "by nature a cooperative nation," the two of them declared

Hoshi Pharmaceuticals was many things, but it was certainly not a self-made company or a model of *laissez-faire*. Its success depended upon close-knit connections to statesmen and bureaucrats, which extended into Japan's developing empire. For the whole of World War One -- a time when the supply of morphine from Europe was cut off -- Hoshi Pharmaceuticals had greatly profited as the sole domestic producer of morphine. This undoubtedly attracted the attention of competing pharmaceutical companies who saw the vast sums of money to be made from opium-based narcotics, and clamored to enter the market. Hoshi welcomed government intervention, but only when it helped his bottom-line. Although Hoshi Hajime portrayed his company as a beacon of civilized, modern life in the interwar years, the opium scandal demonstrated that it equally embodied its economic dark side, namely, the collusion of monopolistic capitalism with top-down bureaucratic control.

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that it "could build a grand construction (*dai kensetsu*) even better than what the Anglo-Saxons have built" (Hoshi Hajime, ed., *Kina ni kansuru zadankai sokkiroku* (Tokyo: Hoshi Hajime, 1934), 81-82).

#### Chapter 4 -- Crisis and the Limits of Cooperation

At the height of the opium scandal, Hoshi Pharmaceuticals referred to its troubles as a "double or triple great crisis" (*nijyū, sanjyū no daikonnann*), which consisted of damage done to its reputation and its finances, coupled with the "serious general economic downturn of the times" (*seken ippan no shinkoku naru fukeiki*).<sup>95</sup> During the investigation and subsequent trials, which lasted from the time investigators searched the president's home in May 1925 on the suspicion of opium trafficking to his acquittal in September 1926 in the third and penultimate trial, authorities froze the bank accounts and assets of both Hoshi, the company, and Hoshi Hajime, the individual. Hoshi's reputation suffered because of what the company called an adversarial press and its "exaggerated, malicious reports" (*ō-gesanaru aku senden*).<sup>96</sup> Adding to the company's problems, the scandal occurred at a time of economic crisis for Japan in the wake of the 1923 Great Kantō Earthquake, which had brought Japan into an era of financial turmoil (*saikai onran jidai*).<sup>97</sup>

Hoshi Pharmaceuticals had long portrayed itself as an enterprise that melded humanitarian interests with profit-making concerns, based on the principle of "cooperation" (*kyōryoku*). Compared to other industries, Hoshi Pharmaceuticals' claims were easy to make: because the business of medicine was the business of saving and

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<sup>95</sup> "Shinkatsudō soshiki wo katsuyō shite unmei wo kaitaku ni doryoku seyo," in *Hoshi seiyaku kabushiki gaisha shahō*, October 1, 1925.

<sup>96</sup> "Shasai shoyūsha kakui," in *Hoshi seiyaku kabushiki gaisha shahō*, December 1, 1926.

<sup>97</sup> Ibid.



improving lives, the company claimed that the more medicines people consumed, the better their lives would be. Its rapid growth and expansion compared to rival firms in the pharmaceutical industry buttressed its assertions.

The company's chain store model, which linked the financial interests of the company to its workers and chain stores, best embodied its principle of cooperation. Chain stores worked great as long as the company was growing. In good times, the company was very successful in attracting prospective merchants into its expanding network as well as in increasing the number of consumers who used its medicines and household products. Factory workers, chain store owners, company employees, and others associated with the company were encouraged to buy shares as well as debt in the company in an effort to expand the company's overall capital and to bind together their interests into a cooperative whole. Cooperation involved improving the quality of employees' lives as well as the friendly relationship between managers and workers. It also involved profit sharing, through high dividends for company shareholders and high returns for its creditors. As long as the company earned great profits and shared its spoils, it kept everyone involved happy.

But in the wake of the opium scandal and the economic downturn, cooperation was inflected in another register. In those times of trouble, "cooperation" now meant shared sacrifice. With revenues low, the company struggled to maintain cash flow, leading it to default on debt, scrimp on wages, and layoff workers. In response, creditors and workers revolted, leading to bankruptcy trials and a nationally publicized labor strike at its main factory.

Before the scandal, the company publicly portrayed its extraordinary capital growth as a natural result of increasing sales tied to its cooperative chain store expansion. The outbreak of the opium scandal revealed different reasons for Hoshi's success: huge profits from an exclusive monopoly over morphine and, possibly, from opium trafficking, both of which had been facilitated by nepotistic connections to government elites. Now the financial downfall of Hoshi Pharmaceuticals in the scandal's aftermath revealed not only the limits of its vision of cooperative capitalism, but also the shaky debt-financed foundations and questionable accounting methods upon which this cooperative vision was built.

### *Cooperative Capitalism or "Phantom Capital"?*

Even before the opium scandal, critics had "cast suspicious eyes" (*giwaku no me*) on Hoshi Pharmaceuticals' almost storybook ascent to the top of the pharmaceutical world, and denounced Hoshi Hajime as a "swindler" (*yamashi*). To such critics -- who included investors, financial analysts, and likely Hoshi's competitors -- it seemed as if Hoshi were employing creative accounting methods to bolster its share capital at best or was guilty of running a Ponzi scheme at worst.<sup>98</sup>

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<sup>98</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," in *Tōyō keizai shinpō*, December 8, 1923; Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 7. Hoshi's stock price on the Tokyo Stock Exchange likely reflected these doubts, but it is impossible to differentiate how much was due to the economic downturn and how much to doubts concerning Hoshi's finances. After publicly listing on March 1, 1920 at a price of 50 yen, the value of its shares precipitously declined to averages of 31.94 yen in 1920, 24.61 in 1921, 16.40 in 1922, 11.20 in 1923, and 7.30 in 1924 (Tokyo Kabushiki Torihikijo, *Tokyo kabushiki torihikijo gojū-nen shi* (Tokyo: Tokyo Kabushiki Torihikijo, 1928), 235-236).

Indeed, Hoshi Pharmaceuticals' expansion from a small producer of household medicines to the largest pharmaceutical company in Japan was spectacular. In a little over thirteen years, from Hoshi Hajime's start producing ichthyol with an initial capital of 400 yen to the company's 1911 incorporation with a capital of 500,000 yen to its capital expansion to 10 million yen in 1919, Hoshi's capital had grown almost exponentially.<sup>99</sup>

This was perhaps understandable given the context of the times. For a rapidly growing nation like Japan, World War One was a boom time. The outbreak of war, which cut off European goods from their export markets, was an opportunity for domestic manufacturers: it created huge demands for daily necessities, spiraling prices, and a lack of competition. Between 1914 and 1918, Japan's industrial output rose from 1.4 billion to 6.8 billion yen (in inflation-adjusted terms, an increase of 54 percent), and overseas trade rose 186 percent.<sup>100</sup> Corporate profits were high: dividend levels in many industries surpassed 100 percent, and many corporations increased workers' wages because labor was in short supply.<sup>101</sup> For the pharmaceutical industry as a whole, domestic manufacturers increased production from 19.9 million yen in 1914 to 51.2 million yen by 1920.<sup>102</sup> Economic expansion and rising prices during this wartime boom created a class of entrepreneurs known as the *narikin* or *nouveau riche*, who richly

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<sup>99</sup> Kyōtani Daisuke, *Hoshi to Foodo* (Tokyo: Koseikaku), 1924, 200-204.

<sup>100</sup> Mark Metzler, *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Prewar Japan* (Berkeley, CA: University of California Press, 2006), 95; Andrew Gordon, *A Modern History of Japan: From Tokugawa Times to the Present* (Oxford, UK: Oxford University Press, 2003), 139-140.

<sup>101</sup> Metzler, 95.

<sup>102</sup> Nihon yakushi gakkai, ed., *Nihon iyakuhin sangyō shi* (*History of the Japanese Pharmaceutical Industry*) (Tōkyō: Yakushi nippōsha, 1995), 59-60.

profited and rose in social status. To his critics, Hoshi Hajime was one of the foremost *narikin* of his generation, whose wealth resulted from luck and connections.<sup>103</sup>

But after the war, Hoshi Pharmaceuticals only continued to increase its capital even after the bottom fell out of this breakneck economic expansion in Japan. When European competitors returned to the market, the skyrocketing cost of Japanese goods during the war put manufacturers at a disadvantage, which led to a precipitous decline in exports, bank failures, and a stock market collapse in April 1920.<sup>104</sup> Hoshi addressed concerns from its chain store owners in a May 1, 1920 article in the company newspaper, titled, "For us there's no downturn!" (*Wareware ni fukeiki nashi*), in which the company exhorted its workers and chain store managers to remain calm and avoid rumors about impending economic crisis because the demand for medicine was comparatively inelastic, unlike other industries, especially silk, which had been Japan's dominant industry.<sup>105</sup> It even argued that the economic downturn was an opportunity to increase sales, as people would "not abandon the sick" (*byōjin wo sutete-oku*) but rather compromise by choosing cheaper patent medicines they could trust over expensive prescribed medicines." Therefore, "for the benefit of health of the Japanese people...it was imperative to continue perfecting its advertising and sales system to sell its medicines."<sup>106</sup> Hoshi's gross income seemed to reflect its claims about the inelasticity of medicine: it increased from 1.25 million yen for the 2<sup>nd</sup> half of 1919, which was before

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<sup>103</sup> Nishikawa Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tokyo: Yakuji nippōsha, 2010), 68.

<sup>104</sup> Between 1914 and 1920, overall wholesale prices rose almost 150 percent, and the retail cost of rice increased 174 percent (Gordon, 139-140).

<sup>105</sup> "Wareware ni fukeiki nashi!" in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1920.

<sup>106</sup> Ibid.

the April 1920 crash, to 2.62 million yen in the 2<sup>nd</sup> half of 1922, which was after the crash; and, in between, in 1921, the company doubled its capitalization to 20 million yen.<sup>107</sup> During this same period, the pharmaceutical industry as a whole increased total production from 39.4 million yen in 1920 to 64.2 million yen, while the gross income of Hoshi's major competitor, Sankyō, expanded from 1,456,242 yen to 2,004,751 yen.<sup>108</sup>

On September 1, 1923, disaster struck the still sputtering Japanese economy. The Great Kantō Earthquake devastated Japan. It led to the destruction of 570,000 residences (almost three quarters of the homes) in the Tokyo area, killed between one hundred thousand to two hundred thousand people, and depleted gross national wealth of between 5.5 to 10 billion yen.<sup>109</sup> In the earthquake's wake, the pharmaceutical industry's production precipitously dropped from 135.6 million yen in 1923 to 77.4 million yen in 1924.<sup>110</sup> Yet Hoshi Pharmaceuticals only continued to expand at a time when other companies hobbled along: on September 26, 1923, barely three weeks after the earthquake, Hoshi issued the largest stock offering in its history, which more than doubled its capitalization to a total of 50 million yen.<sup>111</sup>

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<sup>107</sup> Kyōtani, 200-202.

<sup>108</sup> Nihon yakushi gakkai, ed., 64; Jinbo Mitsuhiro. "Wagakuni yiyakuhin gyōkai ni okeru senkuteki hanbai soshiki." In *Keieishigaku*, vol. 43, no. 2 (2008).

<sup>109</sup> Gordon, 140. Takafusa Nakamura, "Depression, Recovery, and War, 1920-1945," trans. Jacqueline Kaminsky, in *The Interwar Economy of Japan: Colonialism, Depression, and Recovery, 1910-1940*, edited with introductions by Michael Smitka (New York and London: Garland Publishing, Inc., 1998), 456. For more on the earthquake, see Edward Seidensticker, *Low City, High City, Tokyo from Edo to the Earthquake* (New York: Knopf, 1983), 3-7.

<sup>110</sup> Nihon yakushi gakkai, ed., 64.

<sup>111</sup> Kyōtani Daisuke, *Hoshi to Foodo* (Tokyo: Koseikaku, 1924), 201-202; Liu Bi-rong, 117. The company's gross income also increased from 2.3 million yen in the second half of 1923 to 3.4 million yen in the second half of 1924 (Jinbo, 7). Hoshi suffered earthquake damages to its physical plant.

Critics could, perhaps, understand how Hoshi profited from a supposedly inelastic demand for medicine, but they could not comprehend how these profits translated to such rapid and gigantic increases in its capitalization. Hoshi Pharmaceuticals' gross income, profit, and operating expenses from 1918 through 1923 were as follows (see Fig 4.1):

Hoshi Pharmaceuticals			
Time Period	Gross Income (Yen)	Operating Expenses (Yen)	Net Profit (Yen)
1919 (1 <sup>st</sup> half)	834,879	413,040	421,829
1919 (2 <sup>nd</sup> half)	1,248,867	448,821	800,045
1920 (1 <sup>st</sup> half)	1,611,497	787,124	824,372
1920 (2 <sup>nd</sup> half)	1,492,000	808,423	683,586
1921 (1 <sup>st</sup> half)	1,648,305	960,553	687,753
1921 (2 <sup>nd</sup> half)	2,148,719	1,242,329	905,389
1922 (1 <sup>st</sup> half)	2,132,228	1,263,647	868,581
1922 (2 <sup>nd</sup> half)	2,624,186	1,744,257	879,929
1923 (1 <sup>st</sup> half)	2,565,248	1,642,758	922,489
1923 (2 <sup>nd</sup> half)	2,377,174	1,384,871	993,302

Fig. 4.1: Hoshi Pharmaceuticals' Income, Operating Expenses, and Profit, from Kyōtani Daisuke, *Hoshi to Foodo* (Tokyo: Koseikaku, 1924), 203.

By comparison, the second largest pharmaceutical company at the time, its archrival Sankyō, had a gross income and profit that was not too far behind Hoshi's for these same years (see Fig 4.2). What troubled investors was the enormous disparity between Hoshi's income and profits to its capitalization, and how it compared to rivals like Sankyō. By the end of 1923, which was a time of economic devastation in Japan, Hoshi had capitalization of 50 million yen, while Sankyō had a capitalization of 12 million yen (see Fig 4.3). This led critics to label Hoshi's capital expansion as a "so-called phantom

capital increase" (*iwayuru yūrai zōshi*), and to dismiss Hoshi as a "mere bubble company" (*futsū hōmatsu gaisha*)," and a "fantasy" (*kūsō*).<sup>112</sup>

Sankyō Pharmaceuticals		
Time Period	Gross Income (Yen)	Net Profit (Yen)
1919 (1 <sup>st</sup> half)	1,503,475	394,761
1919 (2 <sup>nd</sup> half)	1,456,242	489,492
1920 (1 <sup>st</sup> half)	1,985,691	747,112
1920 (2 <sup>nd</sup> half)	1,642,276	495,793
1921 (1 <sup>st</sup> half)	1,574,289	372,293
1921 (2 <sup>nd</sup> half)	1,871,699	581,741
1922 (1 <sup>st</sup> half)	1,675,337	448,808
1922 (2 <sup>nd</sup> half)	2,004,751	555,664
1923 (1 <sup>st</sup> half)	2,149,865	592,870
1923 (2 <sup>nd</sup> half)	1,876,177	635,260

Fig. 4.2: Sankyō Pharmaceuticals' Income, Operating Expenses, and Profit, from Jinbo Mitsuhiro, "Wagakuni yiyakuhin gyōkai ni okeru senkuteki hanbai soshiki," in *Keieishigaku*, vol. 43, no. 2 (2008), 7.

Year	Hoshi Pharmaceuticals		Sankyō Pharmaceuticals	
	Capital (Yen)	Paid Capital (Yen)	Capital (Yen)	Paid Capital (Yen)
1906	400	400	N/A	N/A
1908	5,000	5,000	N/A	N/A
1910	25,000	25,000	N/A	N/A
1911	500,000	125,000	N/A	N/A
1913	1,000,000	250,000	100,000	100,000
1917	2,000,000	500,000	2,300,000	2,300,000
1918	5,000,000	1,250,000	4,600,000	2,875,000
1919	10,000,000	2,500,000	5,600,000	3,125,000
1921	20,000,000	5,000,000	5,600,000	N/A
1923	50,000,000	12,500,000	12,000,000	7,200,000

Fig. 4.3: Hoshi versus Sankyō, from Kyōtani Daisuke, *Hoshi and Ford (Hoshi to Foodo)* (Tokyo: Koseikaku, 1924), 200-202; Sankyō kabushiki gaisha, Ed. *Sankyō hyaku-nen shi: shiryōhen* (Tokyo: Sankyō kabushiki gaisha, 2000), 52.

<sup>112</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923; Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1923), 7.

Hoshi's mechanism for capital expansion was as follows. At the time of its incorporation in 1911, the company sold individual shares at a price of 50 yen. But Hoshi required that purchasers put down only a quarter of the price, 12.5 yen, with the remainder as unpaid share capital due at a future date. And when that future came, the company did not force shareholders to pay the full amount for shares owned. Instead, the company raised the capital it needed for expansion by recruiting investors to purchase stock in newly formed "new no-content companies" (*munaiyō no shinkaisha*), which, as the name suggests, existed only on paper as shell or holding companies. For each existing share, a new share was created, and Hoshi again required investors to put up one quarter of the price of these shares. Then, it merged the share capital of these companies into itself, drastically increasing its overall capitalization.<sup>113</sup>

This meant that the actual value of the company was only a quarter of its listed value: for example, in 1923, although the listed capital of the company was 50,000,000 yen, only a quarter of that amount -- 12.5 million yen -- was actual paid share capital (*haraikomi-kin*), with 37.5 million yen remaining as unpaid share capital.<sup>114</sup> To its critics, Hoshi Pharmaceuticals was greatly exaggerating the size of its capital, which, in fact, was "extremely meager" (*sukoburu tobishii*).<sup>115</sup> According to statistics, as of the first half of 1923 (when its capital was 20 million yen, before it officially expanded its capital to 50 million yen in the latter half of that year), Hoshi Pharmaceuticals only had

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<sup>113</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki*, 1923, 4-7.

<sup>114</sup> Ibid.

<sup>115</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.



6.9 million yen worth of assets, of which, a little less than 5.6 million yen (around 80.1 percent) was fixed capital.<sup>116</sup>

At nearly the same time that it expanded its share capital from 20 million yen to 50 million yen, Hoshi began a series of debt offerings through an instrument known as a debenture (*shasai*). Debentures are loan certificates issued by companies to raise money. Compared to bonds (*saiken*), which are secured by collateral, debentures are unsecured, and therefore typically offer a higher rate of interest because of their increased risk.<sup>117</sup> They are freely transferable, and debenture holders receive periodic interest and get back their principal at the end of term. In June 1922, the company issued its first debenture offering in the amount of one million yen with eight percent interest due in two years.<sup>118</sup> In August 1922, Hoshi announced a second debenture offering of two million yen with eight percent interest due in two years.<sup>119</sup> And on December 1, 1923, it issued a third debenture worth five million yen with nine percent interest to be due in three years. This was followed in July 1924 with a fourth offering of five million yen at nine percent interest due on August 1, 1927, and then, in February 1924, a fifth debenture offering of 2.3 million yen, due on February 1, 1928.<sup>120</sup> Hoshi's last capital expansion in 1923 was, therefore, highly leveraged.

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<sup>116</sup> Ibid.

<sup>117</sup> Debentures are also known as unsecured corporate bonds.

<sup>118</sup> "Motome-yo Hoshi seiyaku no shasai o: tōshi seyo Hoshi no shasai ni," *Yomiuri shinbun*, June 15, 1922, morning edition.

<sup>119</sup> "Hoshi seiyaku kabushiki gaisha dai-ni kai shasai uridashi," in *Tokyo asahi Shinbun*, August 12, 1922, morning edition.

<sup>120</sup> "Dai yon-kai shasai yōkō, in *Hoshi seiyaku kabushiki gaisha shahō*, July 10, 1924; Ōtsuka Katsuichi, "Hongetsu jū-go niche wo kishi dai-go kai no shasai uridashi," *Hoshi seiyaku kabushiki gaisha shahō*, April 1, 1925.

In the words of the *Tōyō keizai shinpō* (*The Oriental Economist*), this highly-leveraged and rapid method of expanding capital outraged critics and investors: "These actions are why Hoshi Hajime has been criticized as an impostor (*yamashi to hyō sase*), and it is the reason the company is under suspicion (*giwaku o hasamashimuru*). From the perspective of a person who has no idea of his plans, there is no way to understand why capital was increased so frequently and why debentures were offered."<sup>121</sup> The article also discussed critics' bewilderment at the opacity of Hoshi Pharmaceuticals and the cult of personality surrounding Hoshi Hajime, declaring, "Hoshi Pharmaceuticals is not a company of stockholders, nor is it a company of employees, but simply the company of Hoshi Hajime, the president."<sup>122</sup>

From Hoshi Pharmaceuticals' perspective, however, there was a rational, if perhaps risky reason for its method of debt-financed expansion: it was an attempt to overcome the boom-and-bust cycles of capitalism that plagued industrialists, which "if looking at history, seemed to happen every ten years."<sup>123</sup> As his company expanded in the early 1920s, Hoshi Hajime boasted, "Industrialists and businessmen must not be controlled (*shihai*) by economic conditions; they must try to control economic conditions."<sup>124</sup> For Hoshi -- and other entrepreneurs -- the dangers of rampant production during an era of growth and inflationary expansion, followed by a time of deflationary retrenchment, was hammered home by experience, particularly the boom-

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<sup>121</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.

<sup>122</sup> Ibid.

<sup>123</sup> "Wareware ni fukeiki nashi!" in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1920.

<sup>124</sup> Ōyama, 146; Kyōtani Daisuke, *Hoshi to Foodo* (Tokyo: Koseikaku, 1924), 199-200. Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki*, 1923, 10-12.

bust cycle of the Japanese (and world) economy during and after the First World War. Hoshi Pharmaceuticals defended its capital expansion, claiming it was not trying to defraud investors, but was shielding shareholders from the vagaries of the world economy.<sup>125</sup> Hoshi argued that he also wanted to take advantage of the economic downturn when financing and resources were cheap and labor was in great supply.<sup>126</sup>

Hoshi's shield against economic crises was its "family-style system of chain stores" (*kazokuteki rensaten soshiki*).<sup>127</sup> Its chain store network, the company declared, was an attempt to "kill two birds with one stone" (*ikkō ryōtoku*): by binding together the financial interests of the company with its chain stores, the company dramatically increased its total capital and also provided incentives for chain stores to increase their sales.<sup>128</sup> Based on a principle of coordinated cooperation (*kyōryoku*), Hoshi's chain store system linked individual merchants to the home company, but prevented competition among them, making each store part of a unified collective with a singular goal. Only one chain store was established in a town, village, or district, which was then supported by exclusive wholesalers in an efficient, hierarchical distribution system. The company forged financial ties with its chain stores through merchandise contracts and through stock. In order for a prospective merchant to join Hoshi's chain store system, all he had to do was enter into a contract with Hoshi Pharmaceuticals, with a minimum deposit of 25 yen per year.

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<sup>125</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki*, 1923, 7.

<sup>126</sup> Kyōtani, 209-211.

<sup>127</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.

<sup>128</sup> Ibid.

Such deposits, the company argued, served as capital in the company: if Hoshi had more than 25,000 chain stores, there would be, at minimum, 625,000 yen worth of capital, and likely, exponentially more.<sup>129</sup> The more chain stores that Hoshi had in its network, and the more they sold, the larger the capital. Hoshi actively encouraged its employees and affiliates to purchase shares, and it offered extraordinarily high dividends that ranged from six to thirty percent from 1912 through 1923.<sup>130</sup> By offering part ownership in the company, Hoshi enticed employees and chain stores to purchase shares and also to work harder, sell more, and, thereby, increase revenues.

An analysis of Hoshi's stockholdings shows that small shareholders indeed owned a substantial portion of the company, many of whom were likely associated with its chain stores. As of the first half of 1923, Hoshi Pharmaceuticals had 400,000 outstanding shares with 5,546 shareholders. Major shareholders owned 226,752 of the 400,000 shares (Hoshi Hajime owned 68,276 shares while other members of his family, company executives, and 19 other people owned at least 1,000 shares each). The rest were owned by small shareholders, with an average of one person owning a stake of roughly 31.4 shares.<sup>131</sup>

Hoshi Pharmaceuticals similarly encouraged its chain store owners and employees to purchase its debentures, certificates of which were offered in amounts as little as twenty yen.<sup>132</sup> The company argued that marketing debentures to company

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<sup>129</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki*, 1923, 7; "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.

<sup>130</sup> Kyōtani, 200-202.

<sup>131</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.

<sup>132</sup> "Shasai hakkō no seikō," in *Hoshi seiyaku kabushiki gaisha shahō*, July 1, 1922.

associates was necessary during the economic stagnation of the postwar years when money was tight. According to *The Oriental Economist*, "If one were to borrow necessary capital from banks, the more one borrows the harder it is to borrow. However, if you mobilize 50,000 chain stores, and you recruit capital from a tribe of followers (*ichi zoku rōdō*), then 3 million yen or 5 million yen would not be difficult at all to obtain."<sup>133</sup>

From the company's perspective, what some investors criticized as "phantom capital increase" (*yūrai zōshi*), was actually a mechanism to expand its capital during a time of economic crisis, and, at the same time, provide an opportunity for people of modest means to purchase shares in its company. Hoshi saw its actions as "based on the principle that the company must be kind (*shinsetsu*) to shareholders. Shareholders' economic circumstances change, and their states of mind also change. If the company forces such people to pay the amount due, they would sell their shares in order to avoid the pain of having to pay."<sup>134</sup> Hoshi Pharmaceuticals issued its first debt offering in June 1922, when Japan was still recovering from the postwar downturn. In these hard times when money was scarce, the company issued its debt offerings to fund capital expansion when it had trouble raising capital from its chain stores (either through new contracts or fewer purchases of its stock).

Hoshi's idea to use chain stores as a cooperative system to overcome and expand during an economic downturn was not unique. In the interwar years, chain stores became popular all over the world largely because they were seen as a way to overcome

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<sup>133</sup> "Jigyō to kaisha: Hoshi seiyaku no naiyō," *Tōyō keizai shinpō*, December 8, 1923.

<sup>134</sup> Kyōtani, 205-206.

problems of overproduction through more efficient distribution.<sup>135</sup> One of Hoshi's biographers Kyōtani Daisuke, compared Hoshi's methods to John H. Patterson's expansion of National Cash Registry Company in the United States during a time of economic crisis.<sup>136</sup> But there were many examples closer to home, such as Shiseidō, which created its chain store network as a direct response to economic difficulties after the Great Kantō Earthquake.<sup>137</sup>

### *Squeezing the Chain Stores*

If not for the opium scandal, Hoshi Pharmaceuticals' debt-financed scheme to overcome the earthquake-induced financial crisis might have worked. In the year after the Great Kantō Earthquake, Hoshi continued to grow: in the first half of 1924 posted a gross income of 2,870,786 yen with a net profit of 1,908,993 yen; and in the second half of 1924, it increased its gross income and net profit to 3,391,668 yen and 2,406,126 yen, respectively.<sup>138</sup>

But after the scandal broke, Hoshi faced a slew of financial troubles. The damage to its reputation hurt its sales, and the company began having trouble selling its products, as inventories stockpiled. With its bank accounts frozen, the company had

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<sup>135</sup> Victoria de Grazia, *Irresistible Empire: America's Advance through 20<sup>th</sup>-Century Europe* (Cambridge and London: Harvard Belknap Press, 2005), 140-146.

<sup>136</sup> Kyōtani, 209.

<sup>137</sup> Louisa Rubinfen, "Commodity to National Brand: Manufacturers, Merchants, and the Development of the Consumer Market in Interwar Japan" (Ph.D. Dissertation, Harvard University, 1995), 238-254.

<sup>138</sup> Jinbo, 7.

trouble meeting payroll and paying for day-to-day expenses. On May 15, 1926, the company formally delisted from the Tokyo Stock Exchange, after its share price had fallen to a low of 3.6 yen per share from a high of 10.5 yen per share before the scandal, in 1924.<sup>139</sup> In addition, even though Hoshi was ultimately found not guilty of opium trafficking, the company's exclusive contract to purchase discounted crude morphine from the Taiwan Opium Monopoly, which had allowed it to reap huge profits, ended in the fall of 1925, and a new contract was not re-signed until 1931.<sup>140</sup>

The financial difficulties that resulted from the opium scandal led the company to embark on a number of measures to recover from the crisis. Invoking the spirit of cooperation, the company looked to its chain stores for help. But cooperation now meant sacrifice for the good of the whole.

In June 1926, Hoshi Pharmaceuticals announced that it was modifying the company's chain store system. After the opium scandal, the company reorganized its chain store system to raise money and cut costs through greater efficiency and standardization. In an open letter to chain store managers, despite admitting that some of the most loyal members of the old chain store system would find it hard to convert, Hoshi Hajime wrote that "he was firmly convinced that the new chain store system would be effective in dealing with the present chaos in the economic world."<sup>141</sup> To mark the difference, Hoshi's chain stores were no longer called "tokuyaku ten" -- the widely used

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<sup>139</sup> *Tōkyō kabushiki torihikijo gojū-nen shi* (Tokyo: Tōkyō Kabushiki Torihikijo, 1928), 236.

<sup>140</sup> Liu Bi-rong, "Ribei zhimin tizhi xia Xing zhiyao huishe de zheng shang guanxi." Ph.D. dissertation (National Taiwan Normal University, 2009), 115.

<sup>141</sup> "Kyū tokuyakuten kakui," in *Hoshi seiyaku kabushiki gaisha shahō*, May 1, 1927.

Japanese translation for chain stores -- but instead called "cheein stoa," in the phonetic script used for foreign loan words.

The most important aspect of the new chain store system was the imposition of an additional deposit or guarantee money (*shinninkin*), which was a measure to quickly raise funds by squeezing its chain stores. For existing "chain stores in good standing" (*yūryō tokuyaku ten*), the amount was set at 200 to 400 yen; for new applicants, it was 300 to 500 yen. In order to encourage the conversion of the old chain stores into new ones, the company provided a number of incentives and penalties. For example, stores that entered into the new chain store system in June would receive a reward of 3% cash back for a period of six months on the price of goods purchased from the company; for stores that signed terms in July, the amount decreased to 2% cash back.<sup>142</sup> In addition, the required deposit increased the later a store signed a contract. Contracts signed in the first 15 days of August required a minimum deposit of at least 220 yen and for those who signed in the second half of August, the required deposit increased to a minimum of 250 yen.<sup>143</sup>

The other changes, though cosmetic by comparison, were intended to increase oversight and regulation over chain stores to improve efficiency. Under the revised system, chain stores were now organized into two different types: 1. the "conventional chain store" (*sei-cheein*) in cities of populations of 5,000 or more; and 2. the "associate chain store" (*jūn-cheein*) established in smaller towns and villages of 5,000 or less. The conventional chain stores were then classified according to three ranks based on

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<sup>142</sup> "Cheein stoa taikai ketsuki jikō," in *Hoshi seiyaku kabushiki gaisha shahō*, July 1, 1926.

<sup>143</sup> "Hachi-gatsu chū ni cheein ni kanyū suru michi," in *Hoshi seiyaku kabushiki gaisha shahō*, August 1, 1926.



population: A rank for populations of 20,000 or more; B rank for 10,000 or more; and C rank for 5,000 or more. In addition, the exclusive wholesale distributors within the old Hoshi chain store network, the "district wholesaler" (*gunmoto*) and the "prefectural wholesaler" (*kenmoto*) were now renamed "distribution centers" (*haikyūjo*). All of the chain stores were then placed under the jurisdiction of "branch office heads" (*shibuchō*) that managed the stores in a given location, usually divided by prefectures, of which there were a total of 26.<sup>144</sup> Retail prices continued to be set by company headquarters, and at the end of each business day, chain stores were required to calculate the sales of the day, and then send a portion of the daily proceeds to the company. Finally, the company now had the power to appoint (or dismiss) all personnel, and all personnel were now required to wear uniforms.

In September 1928, the company announced another dramatic revision to its chain store system with the opening of the "Convention of the Federation of Manufacturers and Distributors" (*Seizōka hanbaijin renmei taikai*) at the Hoshi Business School. Held in the auditorium, there were 1,800 attendees of this four-day event, which included all the branch managers and vice-branch managers, chain store managers, as well as various visitors and dignitaries. Notable keynote speakers opened each day's events. They included the Home Minister at the time, Mochizuki Keisuke (1867-1941), the German Ambassador Wilhelm Heinrich Solf (1867-1936), and, of course, Gotō Shinpei. Together, these dignitaries lauded the efforts of Hoshi Hajime and his company, and

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<sup>144</sup> "Cheein shibu to shibuchō kettei," in *Hoshi seiyaku kabushiki gaisha shahō*, September 1, 1926.

declared their support and encouragement for its revival in the wake of the opium scandal.<sup>145</sup>

The purpose of the event was to mark the start of a new cooperative system that would help bring the company out of its financial difficulties, and also serve as a model for other businesses to follow as they tried to recover from yet another economic crisis in 1927.<sup>146</sup> The Federation of Manufacturers and Distributors was an expansion of Hoshi's chain store network that included consumer goods like liquors, shoes, and umbrellas produced by manufacturers other than Hoshi. It was intended as a "cooperative" way of business that would overcome the economic woes of the times by having producers and distributors work together. By signing a contract, manufacturers allowed Hoshi to set the price of their products in exchange for access to Hoshi's distribution system. The goal of the cooperative system was to moderate the economic crisis by avoiding competition, improving efficiency, and then, passing along the savings to consumers by cheapening the cost of goods. True to form, the company called these arrangements between manufacturers, "cooperative villages" (*kyōryoku mura*).<sup>147</sup>

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<sup>145</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1929), 26-28.

<sup>146</sup> This crisis was triggered by the failure of Suzuki shōten, a Kobe-based trading firm that had gone bankrupt in 1927 after defaulting on 67 million yen of loans borrowed from the Bank of Taiwan. After the default, there was a run on banks. Indeed, the entire 1920s was a period of economic stagnation and periodic downturns as the economy was unable to recover from overproduction during World War One (Takafusa, 451-467).

<sup>147</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō*, 26-28.

### *Uncooperative Creditors and The Road to Bankruptcy*

At the same time that Hoshi squeezed its chain stores for funds, it attempted to squeeze another crucial group in its cooperative scheme: its creditors who had supported the company's expansion. In late 1926, Hoshi had a total liability worth approximately 18.2 million yen: it had 12.3 million yen outstanding in debentures, and through other means, the company had borrowed roughly 5.1 million yen, and had a payment bill (*shiharai tegata*) due of approximately 816,000 yen. The opium scandal could not have happened at a worst time for Hoshi -- namely, when it was the most highly leveraged in its history. In the second half of 1926, Hoshi quietly attempted to decrease its financial liabilities through two questionable transactions, which it carried out simultaneously: a decrease in its share capital and a decrease in its stock price. The company decreased the value of each individual share from 50 yen to 25 yen, and then halved the number of shares from 1 million yen to 500,000 yen, ending up with a total of 12.5 million yen worth of shares.<sup>148</sup>

Although this was perfectly legal at the time, it was questionable in light of the company's circumstances. Ordinarily, there were only two situations in which a company would reduce the value of its capital stock: when there was a surplus of capital and when a company wanted to eliminate any outstanding debt. Because the capital stock of a corporation serves as security for its creditors, any reduction of capital sets off warning signs among investors. This was particularly a problem for those who had purchased Hoshi Pharmaceuticals' debentures. Compared to bonds (*saiken*), debentures

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<sup>148</sup> Sasahara Masashi, "Hoshi seiyaku no shasai shōkan furikō ni tsuite," in *Invesutomento*, vol. 3., no. 4 (1927), 35-37.

were unsecured loans and usually carried higher interest rates than bonds, which were secured. By reducing its capital from 50 million yen to 12.5 million yen, Hoshi conveniently eliminated 37.5 million yen of unpaid capital in one fell swoop. Decreasing the total share capital of the company by three-quarters thus represented an enormous decrease in shareholder liability.<sup>149</sup>

On November 1, 1926, Hoshi Pharmaceuticals performed another action to reduce shareholder liability by merging (*heidon*) with Pacific Pharmaceuticals (*Taiheiyō seiyaku*), a tiny company by comparison, capitalized at only 500,000 yen. Following the merger, what had been known as Hoshi Pharmaceuticals was dissolved (*kaisan*). Then, only two days later, Pacific Pharmaceuticals changed its name to Hoshi Pharmaceuticals, with a paid share capital of 13 million yen, with Hoshi Hajime assuming the presidency. Thus, Hoshi Pharmaceuticals now became a different legal entity from the one that had suffered the opium scandal.<sup>150</sup>

Hoshi's most important changes, however, were decided in an emergency meeting called the "Cooperative Emergency General Meeting of Stockholders" (*Kyōryokuteki rinji kabunushi sōkai*), held on November 22, 1926. At this meeting, company executives -- along with 5,589 stockholders holding 300,378 shares of company stock -- voted on three emergency measures to raise funds to help relieve its financial burdens. First, the company decided that it would issue a new 600,000 yen debenture at eight percent interest per year and redeemable in three years. Second, it declared a drastic reorganization of the company's stockholdings by increasing the total amount of

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<sup>149</sup> Ibid.

<sup>150</sup> Ibid. 32 -33.

outstanding shares from 13 million yen to 18 million yen through a preferred stock offering of 20,000 shares worth 500,000 yen. Thus, there were now 520,000 shares of regular stock and 20,000 shares of preferred stock (preferred stockholders received an extra ten percent of the dividends paid out to regular shareholders in a given earnings period).<sup>151</sup> The third decision was, by far, the most controversial. The company announced that it would default on the repayment of a five million yen debenture, which carried an interest of five percent, and was scheduled to mature little more than a week later, on December 1, 1926. Hoshi begged its creditors to sacrifice repayments due them in order to overcome the most pressing crisis the company encountered: a lack of the cash flow needed to keep the company running.<sup>152</sup>

The default on the third debenture marked the official start of Hoshi Pharmaceuticals' financial unraveling. It angered the company's creditors by leaving them in a bind: because there were no regulations protecting their rights, they had no recourse to sue the company for repayment, nor could they, on the other hand, force the company into bankruptcy, which was likened to "blowing up" (*jibakuteki*) their own interests since they would then receive nothing. Like the saying, if you owe the bank millions, then you own the bank, in this case, the company was in position to force its creditors "to submit to even the company's most demeaning demands" (*subete no mushi o koroshite kaisha no yōkyū ni kutsujō*).<sup>153</sup> At this point, the investors in the debenture had no choice but to accept that the company would not repay them, and to accept what

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<sup>151</sup> "Shasai shoyūsha kakui," in *Hoshi seiyaku kabushiki gaisha shahō*, December 1, 1926.

<sup>152</sup> Ibid.

<sup>153</sup> Sasahara Masashi, "Hoshi seiyaku no shasai shōkan furikō ni tsuite," in *Invesutomento*, vol. 3., no. 4 (1927), 32 -33.

the company offered them: the conversion of their holdings either into preferred stock or into a new debenture offering. A 1927 article in the business magazine, *Invesutomento*, used Hoshi's default to argue for regulations to protect investors' interests; it stated that Hoshi's default would "not only send shockwaves (*shōdō*) to the bond world, but would reverberate throughout the financial world as well."<sup>154</sup>

After its default, Hoshi Pharmaceuticals continued pleading with its creditors to cooperate with the company in order to avert bankruptcy. In an open letter to creditors and investors dated January 20, 1927, the company announced a new, cooperative plan, couched in the spirit of a recent imperial edict declaring the need to overcome adversity through "co-existence and co-prosperity" (*kyōson kyōei*) during Japan's economic troubles.<sup>155</sup> The company proposed a solution that would deal with the problem of its growing debts to investors as well as boost the sale of its goods: it declared it would pay stock dividends and interests on its debentures with redeemable coupons for its goods. The company declared that its products were as good as cash because they were "items that no household could go without" (*katei ni mo nakute wa naranai*).<sup>156</sup> For example, a stockholder who expected to receive a 10% dividend per share would instead receive a coupon with the cash equivalent of that amount. The catch was that the coupons would not purchase the full value of the goods, but only replace 20% of the price, with the customer having to pay cash for the remainder. Stressing that this proposal aligned with a "new world based on cooperativism (*kyōryoku-shugi*)," Hoshi declared that it "not only

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<sup>154</sup> Ibid., 32-40.

<sup>155</sup> Hoshi Hajime, "Kabunushi oyobi shashai, shaken shuyūsha kakui: haitōkin oyobi risatsu shiharai ni tsuite," (Tokyo: Hoshi seiyaku kabushiki gaisha, January 20, 1927), 3-4.

<sup>156</sup> Ibid., 9.

formed a relationship between you, the creditors, and the debtor company, but also a relationship between the company that produces goods and you, the consumers, through 'co-existence and co-prosperity' (*kyōson kyōei*)."<sup>157</sup> This proposal was a win-win for the company: it would increase -- and, in part, have control over -- the demand for its products by ensuring that its stock and bondholders purchased them. And at a time when cash was in short supply, it would also save the company money by replacing cash payments with products that it had had difficulty selling in the wake of the opium scandal.

Hoshi's creditors, however, were not amused by the company's financial gymnastics. On October 13, 1930, two major creditors, the businessmen Yasuda Rokunosuke and Masuda Shinshichi, filed bankruptcy proceedings against the company in the Tokyo District Court, citing the company's recent troubles for their lack of confidence in the company's ability to pay off 60,000 yen owed to them.<sup>158</sup> In late October of the following year, other major creditors including Sakurada Seitarō and, most important, the investment firm, Shiba Trading (*Shiba shōji*), filed similar bankruptcy proceedings in the Tokyo District Court, citing the company's failure to repay approximately 300,000 yen worth of debt to each party.<sup>159</sup> On October 28, 1931, the Court placed Hoshi Pharmaceuticals under the direction of three lawyers who served as

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<sup>157</sup> Ibid., 6 -10.

<sup>158</sup> "Hoshi seiyaku ni hasan shinsei: tsui ni manukarenu unmei ka," *Tokyo asahi shinbun*, October 15, 1930, evening edition.

<sup>159</sup> "Kyūryōhi o mae ni hasan o senkoku saru: saisei tojō no Hoshi seiyaku," *Tokyo Asahi shinbun*, October 30, 1931, morning edition.

trustees: Kawamoto Chinpei, Gotō Tokutarō, and Hirabayashi Shōtarō.<sup>160</sup> Led by Shiba Trading and its president, Shiba Gitarō, the creditors argued for the liquidation of Hoshi Pharmaceuticals and the division and distribution of its remaining assets.

As both a major creditor and a guarantor of Hoshi Pharmaceuticals debt in the wake of the opium scandal, Shiba Trading had the largest stake in Hoshi's bankruptcy (and also, according to Hoshi, stood the most to gain). Hoshi Pharmaceuticals first sought Shiba's services in 1925 when it had difficulty maintaining liquidity. Between 1925 to 1930, Shiba provided Hoshi Pharmaceuticals with a total of 340,000 yen worth of promissory notes (*tegata*), which the company used to meet payroll, pay suppliers, and maintain general operations. Over the course of this five-year period, Hoshi Pharmaceuticals paid Shiba 104,845.06 yen in interest payments, but the principle remained outstanding.<sup>161</sup> In response to Shiba Trading's actions, Hoshi proclaimed that it had already repaid the equivalent of 200,000 yen of the principle through merchandise, and was well on its way to repaying the full amount. But Shiba Trading persisted in its attempts to force Hoshi into bankruptcy despite Hoshi's resistance.

To Hoshi, Shiba Trading was a wolf in sheep's clothing: it had pretended to offer a lifeline to Hoshi during a time of crisis, but it was really plotting its takeover. Unbeknownst to Hoshi Hajime, in the fall of 1930, Shiba negotiated with Hoshi board member Ōnishi Otojirō for the transfer (*jōto*) of the patent rights of Hoshi Stomach Medicine and nine other of its well-known patent medicines as security for the remaining

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<sup>160</sup> "Hoshi seiyaku hasan kansaijin aku toku ikkan hyō" (Tokyo: Hoshi seiyaku kabushiki gaisha, 1933).

<sup>161</sup> "Hoshi Hajime hasan kiroku," Tokyo-ku saibanjo (1930 (tsu) No. 365); Tokyo chihō saibanjo (1931 (so) No. 425); Daishinin (1932 (ku) No. 845).



debt.<sup>162</sup> The company's suspicions proved well founded when, in the wake of Hoshi's bankruptcy, Ōnishi joined a rival company, Osaka Pharmaceuticals (*Osaka seiyakujo*), which merged with Shiba Trading to form a new company called *Kabushiki kaisha Hoshi seiyakujo*, which translated into English as Hoshi Pharmaceuticals.<sup>163</sup> The new company manufactured its own brand of Hoshi Stomach Medicine, resulting in two different Hoshi Stomach Medicines appearing on the market, which were produced by two different companies that both claimed the name Hoshi Pharmaceuticals.<sup>164</sup> This led to the Hoshi Stomach Medicine Trademark Problem (*Hoshi ichōyaku shōhyōken mondai*) -- a lawsuit in which the original Hoshi Pharmaceuticals countersued its rival for patent right infringement, and ultimately won in 1937.<sup>165</sup> In response to losing the case, Osaka Pharmaceuticals produced a copycat Two-Star Stomach Medicine. Since Hoshi means "star" in Japanese, Osaka Pharmaceuticals thought that having two stars was even better.

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<sup>162</sup> "Hoshi Hajime hasan kiroku," Tokyo-ku saibanjo (1930 (tsu) No. 365); Tokyo chihō saibanjo (1931 (so) No. 425); Daishinin (1932 (ku) No. 845).

<sup>163</sup> Sagawa Ketsu, "Hoshi ichōyaku shōhyōken mondai" (Tokyo: Hoshi seiyaku kabushiki gaisha, May 28, 1932).

<sup>164</sup> "Futatsu no Hoshi ichyōyaku shōhyōken o shimaku arasoi," in *Osaka asahi shinbun*, April 21, 1931.

<sup>165</sup> Ibid.



Fig. 4.4: "Futa-boshi ichōyaku" from *Tokyo no baiyaku*, January 15, 1937

The company's troubles placed Hoshi Hajime under great duress. In a related court case in late May 1931, Shiba Trading instituted bankruptcy proceedings against Hoshi Hajime as an individual, citing debts of 50,000 yen.<sup>166</sup> On July 7, 1932, authorities arrested Hoshi under suspicion of bribing tax officials.<sup>167</sup> According to the complaint, Hoshi had bribed a number of tax officials in the Shinagawa Customs and Tax Bureau to keep them from collecting unpaid national and prefecture taxes dating back to 1929 worth upwards of 600,000 yen and 100,000 yen respectively.<sup>168</sup> Hoshi was imprisoned for two months in Ichigaya Prison before he was released, with the verdict pending the outcome of Hoshi's bankruptcy case.<sup>169</sup>

<sup>166</sup> Hoshi shi ni hasan: kyō seishiki ni senkoku saru," in *Tokyo asahi shinbun*, May 31, 1931, evening edition; "Hoshi seiyaku hasan kansaijin aku toku ikkan hyō" (Tokyo: Hoshi seiyaku, 1933).

<sup>167</sup> "Kōsoku shita ue senji hoka no sekinin kengi e: Hoshi shi kyō kyōsei shūryō," in *Yomiuri shinbun*, July 7, 1932, morning edition.

<sup>168</sup> "Hoshi Hajime shi kiso," in *Tokyo asahi shinbun*, July 17, 1932, evening edition.

<sup>169</sup> "Hoshi Hajime shi shakuhō sareru: hasan jiken hanketsu o matte kiso," in *Yomiuri shinbun*, September 7, 1932, morning edition.

### *The End of Labor Cooperation*

Hoshi's financial difficulties overlapped with its problems dealing with a third major group that had become uncooperative: the workers. Despite its cost-cutting efforts and financial schemes, the company had trouble maintaining enough of a cash flow to pay wages on time. Beginning in August 1929, the company was periodically late in paying wages to its factory workers and employees. In early 1930, the situation worsened when the company created further unrest by paying only half of the workers' wages for the months of February and March. This led to one of the most publicized labor conflicts of the early 1930s, the Hoshi Pharmaceuticals Strike, which involved 612 factory workers and 503 employees at its major factory in the Ozaki district of Tokyo. It lasted nearly three months, and was one of the catalysts that convinced creditors to institute bankruptcy proceedings against the company.<sup>170</sup>

Under the company's principle of "cooperation" (*kyōryoku*), the strike should never have happened. In a July 1, 1919 article in the company newspaper titled, "Japan's Labor Problem and Why it's Different from Europe and America's" (*Ō-Bei no sore to kotonaru Nihon no rōdō mondai*), Hoshi Hajime outlined his stance on cooperative and friendly labor relations against the threat of socialism. In the wake of recent labor disputes like the 1918 rice riots, he wrote: "In the West, workers are slaves (*dōrei*)...and even President Wilson's father probably used them," but capitalism developed differently in Japan where "workers were not treated like objects." Hoshi also criticized the popularity of Marxism in Japan by stating that it's a "problem that

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<sup>170</sup> "Hoshi seiyaku kabushiki gaisha rōdō sōgi," *Rōdō jihō*, vol. 7 no. 7 (July 28, 1930), 172.

Japanese people have been easily agitated by ideas from overseas" (*kaigai no shisō ni sendō sareyoi kara komaru*), which are "empty theories on a desk or empty thoughts on a bookshelf" (*kijō no kūron ya shosai no kūso*). But Hoshi was nevertheless critical of the role of rapacious capitalists, declaring that "it's a regrettable (*ikan*) trend that the more capitalists there are in Japan, the more strikes occur between capitalists and labor, where heartless (*mujō*) capitalists crush the virtues (*biten*) of laborers."<sup>171</sup> Indeed, Hoshi Pharmaceuticals portrayed itself as a paradise for its workers, in the spirit of cooperative, Taylorist business relations.<sup>172</sup> As a capitalist, the labor problem (*rōdō mondai*) was always on Hoshi Hajime's mind, and he tried to make sure that a strike would never happen within his own company.

According to one autobiographical report, at least, the company lived up to these expectations. In Takai Toshio's retrospective of her life as a female laborer in a silk factory, *My Own "Tragic History of a Female Factory Worker"* (*Watashi no "jōkō aishi"*), Hoshi Pharmaceuticals was depicted in a positive light. Published in 1980, Takai's work was a sequel to Hosoi Wakizō's (1897-1925) famous novella, *The Tragic History of a Female Factory Worker* (*Jōkō aishi*), published by the progressive publisher, *Kaizō*, in 1925. Known for its vivid depiction of terrible working conditions, dormitory life, and sexual harassment endured by roughly three million factory workers in the silk industry, which provided the nation's dominant export, *The Tragic History of a Female Factory Worker* was an influential part of the proletarian literature of the time. Hosoi

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<sup>171</sup> Hoshi Hajime, "Ō-Bei no sore to kotonaru Nihon no rōdō mondai," in *Hoshi seiyaku kabushiki gaisha shahō*, July 1, 1919.

<sup>172</sup> Of course, scientific management was largely a fantasy. It did not prevent labor unrest, but provoked it. And it was, in a way, unscientific; Taylor had fudged much of his Bethlehem Steel data. See Matthew Stewart, *The Management Myth: Why The Experts Keep Getting it Wrong* (New York: W.W. Norton and Company, Inc., 2009).

died within a month of its publication, and Takai was Hosoi's common-law wife.

Takai's account was her attempt to set the record straight about her relationship to Hosoi, and also an opportunity to tell her own story of the plight of female factory workers.<sup>173</sup>

Takai began work at Hoshi Pharmaceuticals main factory in the winter of 1923-24 as a packager of candy mints, after she had quit her job as a waitress and answered a recruiting poster she saw nailed to an electric pole.<sup>174</sup>

To Takai, Hoshi Pharmaceuticals embodied the ideal of a modern workplace based on cooperative social relations. She described the factory as "clean, and incomparable to the conditions of the spinning mills," even though the wages were no different than at a silk factory.<sup>175</sup> She noted that the pretty uniforms reflected a sense of equality -- male workers wore the same gray suit as the president, and female workers in her position the same white coats and white hats. Takai praised Hoshi for providing lunch for all its employees, and for the fact that the president ate the same meals: "the president would sometimes even appear at our workplace and eat lunch with us. The meal consisted of barley rice, and the side dishes were all delicious." She also vividly remembered how young factory workers were encouraged to study and learn. In one anecdote, Takai recalled Albert Einstein delivering a speech at the Hoshi Business School, and how she had naively thought that his theory of relativity referred to the relationships between women and men.<sup>176</sup>

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<sup>173</sup> Ronald P. Loftus, *Telling Lives: Women's Self-Writing in Modern Japan* (Honolulu, HI: University of Hawaii Press, 2004), 82-85.

<sup>174</sup> Takai Toshio, *Watashi no "yōkō aishi"* (Tokyo: Sōdo bunka, 1980), 66-68.

<sup>175</sup> Ibid.

<sup>176</sup> Ibid. It is likely Takai was mistaking Albert Einstein for another Nobel Prize-winning German scientist, Fritz Haber (1868-1934), who famously developed a technique for synthesizing ammonia,

Takai stated that her everyday existence at Hoshi's factory "was the most 'human' (*ichiban ningenrashii*) life could be for women."<sup>177</sup> After she received her wages at the end of the month, she would buy a new magazine, cuts of beef, and make Western-style dishes she had remembered serving as a waitress. What made her happiest were the conversations that she had with the young female workers, which made everyday fun for her. "We would sing songs like Tayō Rikizō's 'Love is a Gentle Wildflower' (*Kōi wa yasahi nobe no hana yo*), or the "Venetian Boat Song" (*Benisu no fune uta*). By contrast, the lyrics of the songs she sung during her time at the silk factory were in sharp contrast, which imply the poor working conditions found in the silk industry: "It would be great if the company washed away, the factory burned, and the guards died of cholera" (*Kaisha nagarete kōjō yakete monban korera de shineba yoi*).<sup>178</sup> Takai's account of her time at Hoshi occurred just before the outbreak of the opium scandal, when the company was flourishing. But by the end of the 1920s and into the 1930s, the working conditions at the company clearly took a turn for the worst, leading to the Hoshi Pharmaceuticals Strike.

The strike began as a local protest on April 16, 1930 organized by two company unions, the Hoshi Workers Union (*Hoshi jūgyōin dōmei*) and the Hoshi Employees Union (*Hoshi shaiin dōmei*).<sup>179</sup> Three weeks later, on May 4, it seemed that the situation

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and delivered a lecture at the Hoshi Business School in November 1924. A major reason for Faber's visit to the Hoshi Business School was Hoshi Pharmaceuticals' donation of two million Marks to Germany for the development of science in October 1920. So far, I have not found any mention of Einstein visiting Hoshi Pharmaceuticals.

<sup>177</sup> Takai Toshio, *Watashi no "yōkō aishi"* (Tokyo: Sōdo bunka, 1980), 66-68.

<sup>178</sup> Ibid.

<sup>179</sup> For more on company unions in Japan, see Andrew Gordon, *The Evolution of Labor Relations in Japan, Heavy Industry, 1853-1955* (Cambridge, MA: Harvard University Press, 1985).

would be resolved with the company and the workers coming to an agreement, by which the company would only repay the full wages due to the workers from January, for a total of approximately 30,000 yen, by May 20. When the workers returned to work, however, they remained disgruntled and continued their fight through informal protests from below: they slackened their work, took frequent breaks, and committed errors to slow down production (*taigyō*).<sup>180</sup>

On May 29, 1930, after the company noticed how "productivity had fallen markedly (*ichijirushiku nōritsu no teigen*)," it laid off 73 employees (19 were women) and 291 factory workers (190 were women). The notice given was simple: "Because of problems with the business, as of today, the 29<sup>th</sup> of this month, you will be let go." Salaried white-collar employees (*shain*) would receive wages for May, along with two months of unpaid wages, with information about severance pay to follow. Blue-collar factory workers, in contrast, would receive wages for May, and would be paid severance pay during the month of June.<sup>181</sup> Hoshi Pharmaceuticals defended its actions by declaring that it was an "unavoidable reorganization (*yamu o enu seiri*)" that applied only to the company headquarters and that all remaining personnel would continue performing their duties as usual."<sup>182</sup>

Shocked and angered, workers belonging to the Hoshi Workers Union (*Hoshi jūgyōin dōmei*) quickly organized and hunkered down for a long battle. In the words of one of the workers' representative:

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<sup>180</sup> "Hoshi seiyaku kabushiki gaisha rōdō sōgi," *Rōdō jihō*, vol. 7 no. 7 (July 28, 1930), 172.

<sup>181</sup> "Hoshi seiyaku shain to shukukō yon-hyaku-jū mei o kaiko dashinuke no tsūchi ni fungai shite sugu sōgidan wo soshiki," in *Tokyo asahi shinbun*, May 31, 1930, morning edition.

<sup>182</sup> Ibid.

Last year, because the company did not pay out wages since September, 650 workers united together to press the company again and again (*saisan*). On top of that, during previous negotiations, the company pledged that it would definitely not resort to layoffs (*kaikōsha wa zettai ni dasanu*). Nevertheless, on the night of the 29<sup>th</sup>, the company had an executive board meeting to decide on just such an action. In every sense it took us completely by surprise (*nemimi ni mizu*). The staff and workers who received notices will, from now on, draw a united battle lines to protest, and we intend to continue our fight to the bitter end (*doko made mo tōsō o tsutsukeru kangae*).<sup>183</sup>

Because some workers did not receive their notices, when they went to work the next day, they were locked out of the company. In the mid-afternoon, these workers organized around a nearby company dorm, making it their headquarters, and elected leaders to lead the strike and negotiate settlements with management. They organized an open assembly, began to collect money to support a long-lasting strike, and applied for help from national labor unions. At around nine o'clock that evening, police received reports of five or six people breaking and entering the home of a Hoshi company executive. The stage was set for a violent strike, the news of which reverberated across the nation for the next month and a half.<sup>184</sup>

The leading proletarian literature journal, *Senki*, provided a running commentary of the events from the protestors' perspective:

On May 29, Hoshi Pharmaceuticals, with no prior warning, suddenly fired 390 factory workers and 60 staff workers. The reason they gave -- that it was due to business troubles -- is a bullshit excuse. Those bastards (*yatsura*) fired us at a convenient time for them, during a time of economic trouble, when they tried to sell their merchandise (most of all, that worthless piece of shit medicine for hicks (*yamakan yarō*), which wouldn't even sell in a good economy!). This was only after they had lived to the limits of luxury and extravagance, squeezing and extracting all they could

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<sup>183</sup> Ibid.

<sup>184</sup> "Hoshi seiyaku jūyaku taku he bōkan rannyū su; sōgi yōyaku akka su; kyō shokkō-gawa to kaisha-gawa kaiken," in *Tokyo asahi shinbun*, May 31, 1930, morning edition.



from [us] like kept women (*mekake*). Without paying our wages, they threw us out on the street, innocently pretending they didn't know what was happening (*shiranu kao no hanbee wo kime-komu*).<sup>185</sup>

The Hoshi Workers Union agreed on six major principles: 1.) they were against the layoffs, which were unexpected and shocking, and wanted the company to rehire all the workers and pay their unpaid wages immediately; 2.) they wanted company business operations to restart immediately; 3.) they were against the lockout of workers at the factory; 4.) they protested against any actions to suppress the strike (*bōatsu*); 5.) they demanded that the company pay the wages of the protesters for the duration of the strike; and 6.) they demanded that the company pay for all expenses incurred for the duration of the strike.<sup>186</sup> Their demands were simple: they wanted Hoshi Pharmaceuticals to rehire all the workers and pay all the unpaid wages. The union organized meetings to protest and to criticize the company and assigned rules and roles for the protests. Female workers who lived in dorms, for example, could assemble only between 8 am and 5 pm, while male workers had no such limitations.<sup>187</sup>

Meanwhile, a separate organization, known as the Hoshi Federation of Laid-off Employees (*Hoshi kaikō-chū shaiin renmei*), was formed to represent the white-collar employees, which was based on the previous Hoshi Employees Union. This division was necessary because the wages of these workers were set at a much higher pay scale than those of the factory workers (*kōin*), and therefore they had a higher amount of

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<sup>185</sup> Yoshiya Kun, "Hoshi seiyaku no sōgi wa kanarazu katsu zo," in *Senki*, vol. 3 no. 11 (July 1930), 94-95.

<sup>186</sup> "Hoshi seiyaku shain to shukukō yon-hyaku-jū mei wo kaiko dashinuke no tsūchi ni fungai shite sugu sōgidan wo soshiki," in *Tokyo asahi shinbun*, May 31, 1930, morning edition; "Hoshi seiyaku no sōgi sarani akka ka," in *Tokyo asahi shinbun*, June 1, 1930, evening edition.

<sup>187</sup> "Hoshi seiyaku kabushiki gaisha rōdō sōgi," in *Rōdō jihō*, vol. 7 no. 7 (July 28, 1930), 172.

unpaid wages. These employees elected their own representative to negotiate with the company.<sup>188</sup> Together, the two groups, which numbered roughly 600 active people each day for the length of the two-month strike -- protested day and night outside the gates of Hoshi Pharmaceuticals main factory, singing popular labor songs and making public speeches denouncing the company.

The Hoshi Pharmaceuticals labor strike was notable because of its connections to the national labor movement at large, which guided and supported the strike. The Hoshi Workers' Union and Federation of Employees had affiliations with the national labor unions such as the Kantō Labor Union (*Kantō rōdō kumiai*), the Kantō branch of the Japan Labor Union (*Nippon rōdō kumiai kyōgi kai*), the Free Labor and Self-Rule Association (*Jiyū rōdō jichi kai*).<sup>189</sup> In addition, pro-labor politicians of the Labor and Farmers Party (*Rōdō nōmin tō*) such as Ōyama Ikuo (1880-1955) and Hososako Kanemitsu (1896-1972), and Nakamura Kōichi (1897-1981) joined the cause, formally registering the strike with the Police Agency (Keishichō) of the Ministry of Home Affairs (Naimushō).<sup>190</sup> The strike even garnered sympathy from the company's skilled employees: beginning on June 3, thirty researchers from the pharmaceuticals division of

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<sup>188</sup> Ibid.

<sup>189</sup> "Hoshi seiyaku no sōgi sarani akka ka," in *Tokyo asahi shinbun*, June 1, 1930, evening edition; "Keikan no bōkō wo akumade nankitsu; Hoshi seiyaku no sōgi ni seiyakubu kenkyū-shitsu mo dōjō higyō," in *Tokyo asahi shinbun*, June 4, 1930, morning edition.

<sup>190</sup> "Keikan no bōkō o akumade nankitsu; Hoshi seiyaku no sōgi ni seiyakubu kenkyū-shitsu mo dōjō higyō," in *Tokyo asahi shinbun*, June 4, 1930, morning edition.

the company joined the strike as a show of solidarity.<sup>191</sup> The following day, seven people from the food products division (*shokuryō bu*) began to participate.<sup>192</sup>

The guidance of national labor unions disciplined the strike. On the evening of June 7, when the company distributed its first severance payments to cover expenses for a two-week period, not one person picked up the money.<sup>193</sup> According to the conservative *Yomiuri shinbun*, which sympathized with the company and took every opportunity to paint the strike in a negative light, the disbursement checks were symbolically returned to the company as a single bundle because union leaders had prevented suffering workers from touching needed disbursements.<sup>194</sup>

The strike was also marked by its violence, which only increased as the battle wore on. On the night of May 31 -- only a few days after the strike had been formally declared -- national newspapers reported that protesters had thrown rocks at the homes of two company executives, damaging property and creating disturbances in the tonier neighborhoods of western Tokyo.<sup>195</sup> Protests frequently annoyed the security guards and municipal police who protected Hoshi, leading to suppression by physical violence or water hoses.<sup>196</sup> In the early morning of June 3, a female factory worker and her daughter

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<sup>191</sup> Ibid.

<sup>192</sup> "Shokuryōkubu mo dōjō hikyō: Hoshi seiyaku no sōgi," in *Tokyo asahi shinbun*, June 5, 1930, evening edition.

<sup>193</sup> "Kaisha kara teate o yūsō: hitori mo uketori ni kozu; Hoshi seiyaku sōgi," in *Yomiuri shinbun*, June 9, 1930.

<sup>194</sup> "Sokutatsu no teate ni wa te o sawareru na: hitomatome ni shite honbu kara henkan: Hoshi sōgi iyoio akka su," in *Yomiuri shinbun*, June 9, 1930, morning edition.

<sup>195</sup> "Hoshi seiyaku no sōgi sarani akka ka," *Tokyo asahi shinbun*, June 1, 1930, evening edition.

<sup>196</sup> Yamaguchi Gorō, "Hoshi seiyaku sōgi wa naze yabureta ka," in *Senki*, vol. 3, number 13 (August 1930), 50-52.

were hospitalized due to injuries caused by the police.<sup>197</sup> On June 6, a unit of fifteen city police officers invaded the workers' dormitory, which had served as the primary headquarters of the strike, and arrested thirteen people. In the process they crushed the foot of a female factory worker, and reports of her serious injury created bad press.<sup>198</sup> Lawsuits were filed on behalf of the workers who suffered such injuries, and violence brought rallying cries against police brutality, leading to denunciations of municipal police as no better than a "criminal gang" (*bōryōku dan*).<sup>199</sup>

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<sup>197</sup> "Keikan no bōkō o akumade nankitsu; Hoshi seiyaku no sōgi ni seiyakubu kenkyū-shitsu mo dōjō higyō," in *Tokyo asahi shinbun*, June 4, 1930, morning edition.

<sup>198</sup> "Sōgidan honbu o kaisha ga senryō: keikan rannyū shite kanbu o kensoku; Hoshi seiyaku no jōkō fushō," in *Tokyo asahi shinbun*, June 7, 1930, Saturday edition.

<sup>199</sup> Yamaguchi Gorō, "Hoshi seiyaku sōgi wa naze yabureta ka," *Senki*, vol. 3, number 13 (August 1930), 50-52.

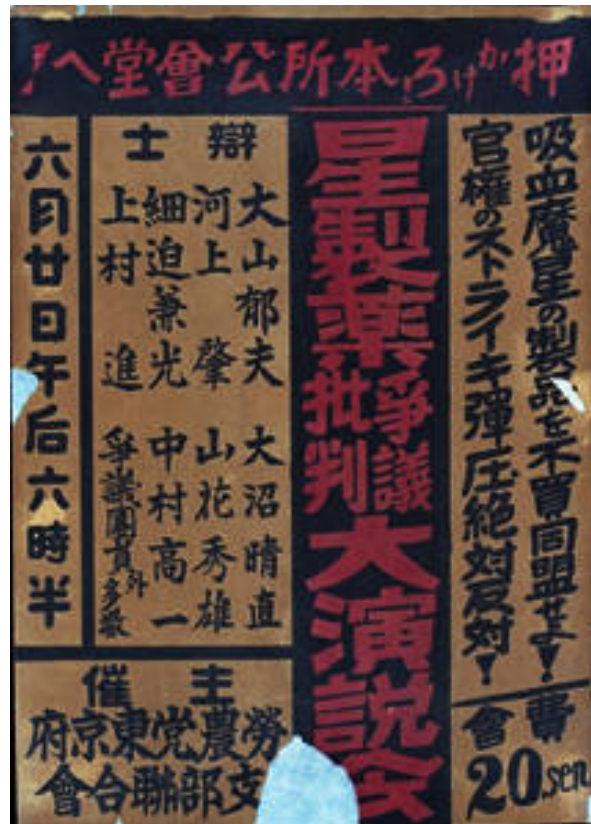


Fig. 4.5: *Hoshi Strike Poster*, June 20, 1930

The text on the right hand side: "Form an Alliance to Boycott the Products of the Blood-Sucking Devil Hoshi! "

Adding to the company's troubles, Hoshi's unpaid creditors allied with the workers' cause. On June 13, two hundred of them organized a meeting at the main headquarters of the strikers. They decided upon a series of demands that put added pressure to the company. First, they demanded the company purchase all the outstanding debentures. Second, they wanted bonds repaid immediately. Third, they resolved to organize all creditors throughout the nation into an organization named the Hoshi Bondholders Association (*Hoshi saikensha dōshi kai*), and they established an

executive committee of 39 people, with an office at the headquarters of the strikers group.<sup>200</sup>

After nearly a month of fighting, on June 22, the strike formally ended with an agreement between the company and protesters. Under this agreement, the company resolved to 1.) pay a total of 31,000 yen to the strikers (composed of severance pay and other monies); 2.) give first preference to laid-off workers when it began to rehire; 3.) not to be late paying wages; 4.) not to lay-off any more workers or extend working hours; and 5.) to refrain from all violence against workers.<sup>201</sup>

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Hoshi Pharmaceuticals presented itself as the embodiment of a humanitarian and cooperative form of business that would overcome the crises of capitalism. Through its chain store network, which tied the company's interests to its merchants, the company provided good medicines that helped save lives. Its rapid expansion amid two major economic crises made it seemed like its model really worked. But the outbreak of the opium scandal was a crisis that it could not overcome. The financial fallout from the scandal demonstrated the limits of cooperation, which in a time of crisis now meant sacrifice. It also laid bare the unsteady and questionable foundations upon which

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<sup>200</sup> "Hoshi no saikensha ni-hyaku mei sanshū," in *Tokyo asahi shinbun*, June 14, 1930, morning edition.

<sup>201</sup> "Hoshi no sōgi kaiketsu su," in *Tokyo asahi shinbun*, June 23, 1930, morning edition; "Hoshi seiyaku kabushiki gaisha rōdō sōgi," *Rōdō jihō*, Vol. 7 no. 7 (July 28, 1930), 174.

Hoshi's cooperative model had been built: questionable accounting and an overly zealous debt-financed expansion.

But on the brink of bankruptcy, fortune once again shined on Hoshi Hajime and his company. For an extraordinarily well-connected man like Hoshi Hajime, fortune, of course, came in the form of influential individuals. Although Gotō Shinpei had died in 1929, Sugiyama Shigemaru continued to support Hoshi, and he brought along influential allies from the Gen'yōsha, the pan-Asianist secret society that agitated for imperial expansion from behind closed curtains. One was Tōyama Mitsuru and the other was Uchida Ryōhei (1873-1937).<sup>202</sup> These figures helped Hoshi Pharmaceuticals push for "compulsory arbitration" (*kyōsei wagi*), a process by which the courts would arbitrate between the company and creditors. Declaring bankruptcy would ruin the value of all shares and lead to the liquidation of company assets. By contrast, "compulsory arbitration" would allow the company a chance to recover. Toyama, Sugiyama, and Uchida helped the company negotiate with creditors as well as raise money and public support for a favorable court ruling (although their exact role is unclear).<sup>203</sup> After multiple negotiations between Hoshi, its creditors, and the company's trustees had ended in failure, on September 12, 1933, the Tokyo District Court issued an extraordinarily favorable ruling for Hoshi.<sup>204</sup> Under the terms of the agreement, if Hoshi

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<sup>202</sup> Uchida Ryōhei was also the leader of the Kokuryūkai, an off-shoot of the Gen'yōsha, which had one aim: the containment of Russia through the occupation and expansion of Japan's empire in Manchuria. See Marius B. Jansen, *The Japanese and Sun Yat-sen* (Stanford, CA: Stanford University, 1970).

<sup>203</sup> Tōyama Mitsuru, Sugiyama Shigemaru, Uchida Ryōhei, "Hoshi seiyaku kabushiki gaisha, saiken kakui ni atau," in *Hoshi seiyaku kabushiki gaisha shahō*, March 20, 1933.

<sup>204</sup> "Hoshi seiyaku kōsei he: kyōsei wagi naru," in *Yomiuri shinbun*, September 13, 1933, morning edition.

Pharmaceuticals repaid twenty percent of the total outstanding debt of 22,565,250 yen owed to 20,898 creditors over a period of ten years, then the remaining eighty percent would be forgiven (*menjo*). In addition, the company would have a grace period of three years before it had to make its initial payment.

Hoshi Pharmaceuticals attempted to meet these goals through two courses of action. First, Hoshi once again enlisted the support of its workforce and associated chain stores, pleading for cooperation as sacrifice. In late 1933, the company began the "Association for Implementing the Mission" (*Ninmu dankō kisei-dan*), which was composed of all chain store owners and clerks in a hierarchical network under "branch office heads" (*shibuchō*) and lasted into the wartime years. The language Hoshi used reflected the increasingly fascist tenor of the times when nationalist ideologues invoked "mission" (*ninmu*) and "cooperation" (*kyōryoku*) as they waved the flag of Japan's growing military expansion abroad on the Asian continent and mobilization at home. "Implementing the Mission" thus meant mobilizing chain store owners to protect (or, indeed, rescue) both the firm and nation.

But in practice, it was similar to Hoshi's earlier schemes to encourage chain stores to work harder to increase their sales. "Implementing the Mission" involved a series of incentives and penalties to increase turnover and speed up payments to the company. When purchasing medicines and other goods from the company, each chain store was required to pay fifteen percent of the retail price upfront. Chain stores and branch office heads were rewarded with incentives of between five and ten percent for advancing their



payments. The company's goal was to have its chain stores sell a total of 3,650,000 yen worth of merchandise in a year, or 10,000 yen per day.<sup>205</sup>

For the company's other course of action, it once again looked to the empire, except this time, the primary goal was to help fix its reputation and finances.

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<sup>205</sup> Hoshi seiyaku kabushiki gaisha, *Kyōsei wagi shiharai sōten* (Tokyo: Hoshi seiyaku, 1933), 1-9.

## *Chapter 5 -- Selling the Science of Quinine Self-Sufficiency*

On April 30th, 1934, Hoshi Hajime hosted a roundtable discussion in the ballroom of the Taihoku Railway Hotel. The topic was Hoshi's proposal to cultivate cinchona (*kina*) near aboriginal villages in the mountains of Taiwan. Cinchona, a tree indigenous to South America, provided the raw material for one of the most important drugs in the early twentieth century, the anti-malarial drug, quinine. At the time, roughly ninety percent of the world's supply came from Dutch plantations in Java; its production and distribution was controlled by a monopoly known as the Kina Bureau, headquartered in Amsterdam. Once again aligning corporate profit motives with national interests, Hoshi Hajime capitalized on fears of quinine scarcity to present quinine self-sufficiency as synonymous with national security.

Hoshi explained his ten-year plan for cultivating cinchona on roughly 120 square kilometers of land in plantations in the mountains of Gaoxiong Prefecture in southwest Taiwan and in Taidong Province in the southeast. Hoshi declared that he would, at minimum, provide 3,000,000 yen for the project for a period of three years -- a huge sum, but one that, Hoshi argued, would cost upwards of 10,000,000 yen if the plan were carried out in a different location, presumably without cheap, aboriginal labor. Hoshi had a business partner in this venture, William Hosken, whose firm would also provide some capital.<sup>1</sup> Hoshi hoped that additional funding would come from the Japanese

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<sup>1</sup> According to the trade journal, *American Perfumer and Essential Oil Review*, "William Hosken was formerly vice-president of the Ralph L. Fuller Co., and for five years traveled in Europe, China and Japan establishing branches and also buying and selling chemicals, dyes, oils, etc. The firm of

Government-General of Taiwan, particularly from the Central Research Institute, which would have its own research laboratory on the premises.<sup>2</sup>

Hoshi Hajime was a consummate salesman, and what he was selling was a vision for the future of Japan's empire based on the empirical bedrock of modern science. Declaring that the "cultivation of cinchona is inextricably tied to the livelihoods of the aboriginals," Hoshi pitched a nationalistic, "humanitarian" and "cooperative" vision of quinine self-sufficiency for Japan's growing empire, which at this time was rapidly expanding into Manchuria and northeast China. The vision was centered on providing a "Japanese standard-of-living" to aboriginals through education, in exchange for their land and labor.<sup>3</sup> Schools would be established on the premises, which would dispense food and other basic necessities as enticements for regular attendance. Flanked by doctors like Horiuchi Tsugio (1873-1955), who endorsed the widespread use of quinine for living in tropical climes, as well as botanists like Tanaka Chōzaburō (1885-1976), who compared the fertility of Taiwan's highlands to the fields of Shikoku and Kyūshū, Hoshi's plantations would also serve as laboratories for tropical agriculture and disease prevention with ample space provided for the research of malaria.

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Victor & Hosken are also exclusive agents for the Hoshi Pharmaceutical Co., Ltd., Tokio, Japan, who are the largest manufacturers of quinine salts." Hosken's firm Victor & Hosken, whose address was 160 Pearl Street in New York City ("Pure Food and Drug Notes," in *The American Perfumer and Essential Oil Review*, vol. 17, no. 7 (September 1922), 553. Ralph L. Fuller and Company was organized in 1916 based in New York that specialized in drugs and chemicals ("Ralph L. Fuller," in *Oil, Paint, and Drug Reporter*, vol. 92, no. 16 (October 10, 1917), 24). Hoshi stated that Hosken had been a longtime business partner, but it is unclear when this partnership began.

<sup>2</sup> Hoshi Hajime, ed., *Kina ni kansuru zadankai sokkiroku (Transcript of the roundtable discussion on cinchona)* (Tokyo: Hoshi Hajime, 1934), 4, 20, 132-140.

<sup>3</sup> Ibid, 5.

Hoshi's proposal for a "Greater Cinchona Empire (*Dai kina teikoku*)" was itself a metaphor for Japan's colonial project, replete with allusions of "civilizing the barbarians" and arguments for autarky, not to mention the "matter-of-fact" logic of the benefits of modern science. It tapped into the desires and motivations of various actors involved in Japan's colonial project in Taiwan in the 1930s, and more broadly, the aspirations of the Japanese nation and its empire as a whole. It reflected their relationships with resources including quinine, and with people whom they often treated like objects, in this case, aboriginal laborers in Taiwan. This vision appealed to a wide range of actors including colonial authorities who wanted to "tame" the aboriginal population; major firms like the government-sponsored Taiwan Development Company (*Taiwan takushoku kabushiki gaisha*), which dreamed of exploiting the potential of the island's tropical environment; and, beginning in the late 1930s, military officials concerned with Japan's quinine reserves as its empire expanded into Southeast Asia under the "Southward Advance Policy" (*Nanshin seisaku*).<sup>4</sup> Competing drug firms like Takeda and Shionogi allied with tropical medicine research centers from Tokyo and Kyoto Universities, respectively, to produce similar investments and plans.<sup>5</sup>

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<sup>4</sup> Admiral Kobayashi Seizō (1896-1962), the Governor-General of Taiwan from 1936-1940, used *Nanshin* (southward advance) to describe a policy of military expansion into Southeast Asia with the mobilization and industrialization of Taiwan as the centerpiece. Led by the Navy, the "Southward advance" was an attempt to balance Army-led conquests in northern Asia, and began with the conquest of Canton in late 1938 before the takeover of Southeast Asia in the 1940s. But in the late nineteenth and early twentieth centuries, intellectuals including Takekoshi Yosaburō and Shiga Shigetaka advocated a "theory of southward advance" (*nanshin ron*) of acquiring strategic national resources for economic expansion. See Chen Ci-yu, "Chulun Riben ninjin zhengce xia Taiwan yu Dong-Nan-Ya de jingqi guanxi," *Dong-nan-ya yanjiu lunwen xilie 10 (PROSEA Occasional Paper 10)* (Taipei: Zhongyang yanjiu yuan, 1997); Harry J. Lamley, *Taiwan Under Japanese Rule, 1895-1945: The Vicissitudes of Colonialism in Taiwan: A New History*, edited by Murray A. Rubinstein (New York, NY: M.E. Sharpe, 1999), 235-236; Gotō Ken'ichi, *Kindai Nihon to Tō-Nan Ajia: Nanshin no "shōgeki" to "isan"* (Tokyo: Iwanami shoten, 2010).

<sup>5</sup> *Takeda hyaku hachi-jū nen (Takeda's one hundred and eighty year history)* (Osaka: Takeda yakuhin kōgyō, 1962), 589; *Shionogi hyaku nen (Shionogi's one hundred years)* (Osaka: Shionogi seiyaku

The quinine venture also had symbolic meaning for the company itself. After near bankruptcy, a massive labor strike, and lingering suspicions of its involvement with global narcotics trafficking, Hoshi Hajime saw his quinine cultivation project as a way to recover his company's finances, but more important, its reputation. Taiwan had been the locus of the opium trading scandal that nearly destroyed the company. By returning with a plan to produce a medicine that stood for everything opium was not, Hoshi wanted to prove to the public that he and his company had moved on. After finding out about Hoshi's change of fortune, Arakawa Teizō of Taiwan's Opium Monopoly Bureau quipped:

Isn't life funny? From now on, Hoshi the king of debt becomes the king of cinchona. Taiwan's central mountain ranges will all become cinchona forests. Hoshi will provide fifteen thousand Takasago aboriginals with work. Aboriginal affairs and Hoshi's cinchona business will merge. This will definitely happen. A great failure is the precondition to great happiness."<sup>6</sup>

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kabushiki geisha, 1978), 202-203. Like Hoshi, Takeda and Shionogi both imported quinine and cinchona bark from Java. Takeda had two plantations in Taidong and one in Taizhong, which was affiliated with Tokyo University's Agriculture Department. Shionogi had one plantation in Gaoxiong, which was affiliated with a forestry laboratory from Kyoto University.

<sup>6</sup> Quoted in Saishō Hazuki, *Hoshi Shin'ichi: 1001 hanashi wo tsukutta hito* (Tokyo: Shinchōsha, 2007), 49-50.



Fig. 5.1: The 1934 roundtable discussion at the Taiwan Railway Hotel

### *The Commodity: Quinine and "Enlightened Empire"*

Morphine and quinine are both alkaloids -- naturally occurring, nitrogenous organic compounds that have useful physiological effects in humans. Both have been important modern medicines since their discovery and mass production. Unlike quinine, the medicinal benefits of morphine -- along with the plant from which it is derived, opium -- have long been shadowed by associations with addiction, degeneracy, and black markets. Opium smoking played a major role in Western imperialism in Asia: it was blamed for the fall of the Qing Empire; identified by colonial officials in Taiwan as one of the three "Chinese" vices; and served as a cash cow for imperial endeavors in the making of the Manchukuo puppet state established by Japan in 1932.<sup>7</sup>

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<sup>7</sup> The other two vices were foot-binding and the wearing of queues. See Mark Driscoll, *Absolute Erotic, Absolute Grotesque: The Living, Dead, and Undead in Japan's Imperialism, 1895–1945* (Durham, NC: Duke University Press, 2010); Miriam Kingsberg, "Legitimizing Empire, Legitimizing Nation: The Scientific Study of Opium Addiction in Japanese Manchuria," *Journal of Japanese Studies*

Morphine was a drug associated with the dark side of modern life. Quinine, however, had none of these associations. Hoshi knew this very well.

Hoshi's proposal to grow cinchona in Taiwan grew out of the opium scandal and the financial difficulties it engendered. For Hoshi, it was an opportunity to revive his company's reputation and fortunes after the recent disgraces of the opium scandal, labor strike, and bankruptcy crisis. In the case of opium, Hoshi strove to erase his suspected ties to the dark underbelly of Japan's empire. By contrast, he actively publicized his involvement in the quinine trade and cinchona plantations. If opium was associated with black markets, backwardness, and vice, then quinine could be seen as a medicine of enlightened empire -- an instrument that would allow Japan to accomplish its civilizing, imperial mission.

Quinine was valuable because it was then the most reliable drug for the prevention and treatment of malaria. The story of quinine starts and ends as a story about malaria and tropical medicine. Malaria is an infectious disease caused by plasmodia and transmitted by mosquitoes that is endemic to tropical and subtropical regions. It causes fever, headaches, and lethargy, and in severe cases may lead to hallucinations, coma, and death. Malaria was originally thought of as an environmental disease, associated with murky swampland and caused by breathing in humid or foul-smelling air (the word comes from Italian for bad air (*mal' aria*)). In the early 1930s, the annual number of confirmed cases of malaria numbered almost 17.7 million, but the

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vol. 38, no. 2 (2012), 329-355; Miriam Kingsberg, "The Poppy and the Acacia: Opium and Imperialism in Japanese Dairen and the Kwangtung Leased Territory, 1905-1945" (Ph.D. dissertation, University of California, Berkeley, 2009); *Opium Regimes: China, Britain, and Japan, 1839-1952*, edited by Timothy Brook and Bob Tadashi Wakabayashi (Berkeley: University of California Press, 2000).

estimated number of actual cases was probably "ten times the number treated," and "no figures were reported from China."<sup>8</sup>

Overcoming malaria has overwhelmingly been portrayed in heroic, civilizing terms -- a story of (European) man conquering the obstacles of nature. It was only in 1880 that a French army doctor, Charles Alphonse Laveran, provided a scientific explanation for malaria infection by proposing its cause as plasmodia that he had observed in the blood cells of patients suffering from the disease. In 1898, Ronald Ross, a British doctor working in Calcutta, built on the work of other doctors such as Carlos Finlay, Josiah Nott, and Patrick Manson, to prove that malaria was transmitted by the *Anopheles* mosquito. Laveran and Ross were both awarded Nobel Prizes in Medicine for their discoveries, and the story of William C. Gorgas draining mosquito-infested ponds and swamps to save thousands of lives from malaria and yellow fever during the construction of the Panama Canal is often included in grade school textbooks in the United States.

The importance of quinine for the prevention and treatment of malaria has been well documented by historians of science and colonialism, most succinctly by Daniel Headrick in his 1981 book, *The Tools of Empire*, where he makes a convincing case that quinine -- along with other European technologies such as steamships and railroads -- were the tools that made European colonialism possible.<sup>9</sup> Although Headrick's thesis has been challenged by scholars for overemphasizing the effectiveness of quinine, for his

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<sup>8</sup> "The Quinine Problem" (27 May 1933). *The British Medical Journal*, vol. 1, no. 3777 (May 27, 1933), 923-924.

<sup>9</sup> Daniel Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century* (New York: Oxford University, 1981), 64.



focus on technological innovation as the primary driving force of imperial expansion (rather than the converse), and for his disregard of local transactions and interactions, it nevertheless remains useful for its depiction of quinine in the colonizers' imaginary. Whatever its limitations, quinine prophylaxis was heavily promoted by such eminent scientists as the bacteriologist Robert Koch, and it was widely incorporated into the daily regimen of life in the tropics.<sup>10</sup>

The story of malaria and quinine self-sufficiency in Japan follows a similar pattern to European experiences of colonization and tropical disease. Knowledge about malaria in Japan was intertwined with its encounter with Taiwan.<sup>11</sup> Although scholars have found documented cases of outbreaks of malaria dating back to the early-modern period, recognition of malaria as a disease endemic to the tropics did not become a major

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<sup>10</sup> See David Arnold, "Introduction: disease, medicine and empire," in *Imperial Medicine and Indigenous Societies*, edited by David Arnold (Manchester, UK: Manchester University Press, 1988), 1-26; Mark Harrison, *Public Health in British India: Anglo-Indian Preventive Medicine, 1859-1914* (Cambridge, UK: Cambridge University Press, 1994); Philip D. Curtin, "Medical Knowledge and Urban Planning in Tropical Africa," *American Historical Review* 90 (1985), 594-613; Philip D. Curtin, *Death by Migration: Europe's Encounter with the Tropical World in the Nineteenth Century* (Cambridge: Cambridge University Press, 1989); Philip D. Curtin, *Disease and Empire: The Health of European Troops in the Conquest of Africa* (Cambridge: Cambridge University Press, 1998). P.D. Curtin, for example, discusses how colonial medical authorities often debated the efficacy and side effects of bitter-tasting quinine, and shows how mortality rates actually increased in the case of the "conquest of Africa," even with the use of quinine and other preventative practices. Recent historiography concerning malaria in the Japanese empire similarly challenges the "tools of empire" thesis by emphasizing the importance of local interactions for shaping the trajectory of colonial medicine. Notably, Ku Ya-wen finds fractures in the heroic portrayal of malarial policy as a conquest of nature, and persuasively treats malaria as a constructed, "developo-genic disease" (*kaihatsu genbyō*): she shows how even though malaria was thought of – and handled -- as a disease endemic to hostile, tropical environments, its severity in Taiwan resulted, in large part, from human development changing the environment (for example, the spread of wet-rice agriculture and the growth of the camphor industry leading to deforestation). See Ku Ya-wen, "Rizhi shiqi Taiwan nūejī fang'e zhengce -- 'dui ren fa'? 'dui wen fa'?" *Taiwan lishi yanjiu*, vol. 11, no. 2 (2004), 185-222; Ku Ya-wen, "Shokuminchiki Taiwan ni okeru kaihatsu to mararia no ryūkō -- tsukurareta 'aku kankyō'," *Shakai keizaishi gaku*, vol. 70, no. 5, 583-605. Ku Ya-wen, "Anti-malaria Policy and Its Consequences in Colonial Taiwan," in *Disease, Colonialism, and the State: Malaria in Modern East Asian History*, edited by Ka-che Yip (Hong Kong: Hong Kong University Press, 2009), 31-48.

<sup>11</sup> Iijima Wataru, *Mararia to teikoku: shokuminchi igaku to Higashi Ajia no kōiki chitsujo* (Tokyo: Tokyo daigaku shuppansha, 2005), 13.

concern for the Japanese government until the 1874 Taiwan Expedition, a punitive expedition against Taiwan aborigines in retaliation for the murder of fifty-four Ryūkyūan sailors in the 1871 Mudanshe Incident.<sup>12</sup> At the time, malaria was known as "Taiwan fever," and the threat of this fearsome disease led to anti-malarial policies and tropical medicine research, first, in Okinawa and later, in Taiwan.<sup>13</sup> In the words of Liu Shiyung, "For a latecomer to imperialism like Japan, attacking malaria by applying modern medicine was a way to exhibit Japan's success to the international community."<sup>14</sup>

Quinine had been popular since the seventeenth century, when Jesuit monks in Peru first spread word of its anti-malarial properties. Named for the wife of Spain's governor-general in Peru, the Countess of Chinchon, cinchona bark was imported to Europe in small quantities, and prescribed by doctors as a treatment for malaria, starting in the eighteenth century. Because cinchona is native to the Andes Mountains, it was originally extremely rare and hard to get. But in 1820, two French chemists, Pierre-Joseph Pelletier and Joseph Bienaimé Caventou, became the first to extract quinine from cinchona bark, thereby making mass commercial production of quinine possible.<sup>15</sup>

The primary problem for much of the nineteenth and twentieth centuries was obtaining enough of the raw material, cinchona bark, from which to extract quinine. In the mid to late nineteenth century, British and Dutch botanists and horticulturalists from places like the famed Royal Botanical Gardens at Kew succeeded in secretly collecting

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Michael Shi-yung Liu, *Prescribing Colonization: The Role of Medical Practices and Policies in Japan-Ruled Taiwan, 1895-1945* (Ann Arbor, Michigan: Association for Asian Studies, 2009), 114.

<sup>15</sup> Headrick, 66.

seeds from the Andes and planting them in botanical gardens in India and Java. They also perfected techniques like "mossing (cutting strips of bark and wrapping the trees in moss) and coppicing (cutting trees to the round every six or seven years)" to increase their quinine content.<sup>16</sup> In the nineteenth and twentieth centuries, four major species of cinchona trees were cultivated for commercial production: the "pale bark" *Cinchona officinalis*, the "yellow bark" *Cinchona calisaya*, the "red bark" *Cinchona succirubra*, and the hybrid *Cinchona calisaya ledgeriana* (commonly known as *Cinchona ledgeriana* or "Commercial Ledger Bark"), which dominated the Java plantations.<sup>17</sup> *C. succirubra* was "the hardiest of all the Cinchonas" with a range of one and a half to five percent quinine, and the more difficult to grow *C. ledgeriana* was prized for its high quinine content of three to eight percent, and therefore, represented the majority of cinchona trees grown in Java.<sup>18</sup> *C. succirubra* and *C. ledgeriana* were the species of cinchona cultivated in Hoshi's plantations in Taiwan.

In the early twentieth century, quinine was distributed through government medical authorities, and was commonly administered as a prophylaxis in tablet form as quinine sulphate. In a 1927 handbook published by the Amsterdam-based Bureau for Increasing the Use of Quinine, "Medical officers attach great importance to the free supply of quinine by large companies and industrial concerns to all their employees during the malaria season in the tropics, even if there is no actual epidemic...the systematic administration of quinine is a valuable economic measure and may be

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<sup>16</sup> Ibid., 71-72.

<sup>17</sup> J.H. Holland, "Ledger Bark and Red Bark," *Bulletin of Miscellaneous Information (Royal Gardens, Kew)* vol. 1, (1932), 1-17.

<sup>18</sup> Ibid.

regarded as an insurance premium which no large undertaking or company in the tropics should omit to pay."<sup>19</sup>

Because malaria was endemic in Taiwan, quinine prophylaxis was "integrated into and became barely distinct from ordinary sanitary activity."<sup>20</sup> Although Japanese settlers were the primary targets of these measures, malaria also affected Taiwanese and especially aboriginal people who "contract malaria several times in their lives."<sup>21</sup>

According to a 1919 handbook titled "*Nettai seikatsu*" (Life in the Tropics), written by the parasitologist, Miyajima Mikinosuke of Tokyo Imperial University, "200-300 milligrams of quinine should be taken after dinner and before bed" as an essential and effective way to prevent malaria.<sup>22</sup>

Quinine also reached the consumer market as a popular ingredient in patent medicines and nutritional beverages. Quinine is the ingredient in tonic water that gives it its bitter taste (gin and tonics were first popularized in the eighteenth century as a way to get British soldiers in colonial India to take their daily doses of quinine). Hoshi Pharmaceuticals included quinine in a number of its patent medicines and remedies, including its Hoshi Ginseng Quinine Wine (*Hoshi jinjin budōshū*), which was a dietary beverage that treated a host of ailments including anemia, loss of appetite, and impotence,

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<sup>19</sup> *Malaria and Quinine* (Amsterdam: Bureau for Increasing the Use of Quinine, 1927), 41.

<sup>20</sup> Michael Liu, 115.

<sup>21</sup> Takagi Shigeru, "Taiwan ni okeru kina-en keiei ni tsuite," Graduate Thesis, Agriculture and Forestry Specialty Division affiliated with Taihoku Imperial University, 1943, 11.

<sup>22</sup> Miyajima Mikinosuke, *Nettai seikatsu* (Tokyo: Nan'yō kyōkai, 1919), 44-46.

as well as in its popular stomach and cold medicines, and, of course, in more conventional anti-malarial pills.<sup>23</sup>

### *Quinine Self-Sufficiency and National Security*

From the end of the nineteenth century to the beginning of the twentieth, the Japanese drug market reflected the sweeping changes of Japan's rapid modernization when medicines imported from Europe competed for tracts of shelf-space with domestic patent medicines and Chinese medicines. With the outbreak of the Great War in Europe, the cost of Western medicine skyrocketed as trade from Germany, the main supplier of drugs at the time, was disrupted, and ultimately boycotted. In 1914, the Japanese government authorities responded to the dangers of a drug shortage by instituting a drug self-sufficiency policy, and in 1915, the government promulgated the Law for Promoting the Production of Medicine and Dyes, which provided economic incentives for the domestic production of vital medicines. Well-established companies like Takeda, Tanabe, and Dai Nippon as well as up-and-comers like Hoshi used this opening to establish a foothold in the domestic Japanese drug industry.<sup>24</sup>

Quinine's story was similar. In the early twentieth century, an Amsterdam-based cartel called the Kina Bureau controlled over ninety percent of the world market for quinine by regulating the quantity, price, and distribution of cinchona bark and quinine

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<sup>23</sup> Hoshi seiyaku kabushiki gaisha, *Katei yisho* (Tōkyō: Hoshi seiyaku kabushiki kaisha, 1923), 119-121; Miyamoto Teiichi, ed., *Dai ni hen: kina ki saibai, Hoshi seiyaku kabushiki gaisha no kina jigyo* (Tōkyō: Hoshi seiyaku kabushiki gaisha, 1942), 203-204.

<sup>24</sup> Nihon yakushi gakkai, ed., *Nihon iyakuhin sangyō shi* (Tōkyō: Yakushi nippōsha, 1995), 56-57.

through an agreement with plantation owners in Java.<sup>25</sup> The onset of World War I created a global shortage of quinine by disrupting the shipping of quinine and increasing the demand for quinine on the battlefronts, which made "the world at large...aware of the danger of having the only steady source of quinine concentrated in a single spot on the globe, within the jurisdiction of a single nation."<sup>26</sup> In the United States, Herbert Hoover, the Director of the Food and Drug Administration during World War I, answered this challenge by issuing a terse telegraph to its protectorate in the Philippines, with two words "raise quinine!"<sup>27</sup> In 1918, the Kina Bureau recovered from the damage of World War One by forming the Second Quinine Convention between planters and manufacturers.<sup>28</sup>

In the 1920s and 1930s, the Kina Bureau became a common enemy for nations with colonial interests, as quinine self-sufficiency was increasingly seen as necessary for national security. Medical authorities in Britain argued for an "urgent need for Government action" to meet the estimated 680 tons of quinine needed to fight Malaria in India, fretting that "the consumption of quinine is limited by its price, and the populations most crippled by malaria are least able to afford the drug."<sup>29</sup> In 1927, the U.S. Department of Justice prosecuted the Kina Bureau under the terms of the Sherman

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<sup>25</sup> "The Price of Quinine," *The British Medical Journal*, vol. 1, no. 3082 (January 24, 1920), 124.

<sup>26</sup> M.L. Duran-Reynals, *The Fever Bark Tree: The Pageant of Quinine* (London: W.H. Allen, 1947), 212-213.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> "The Quinine Problem," 1933-1934.

Antitrust Act, and forced a settlement in 1928.<sup>30</sup> This led companies like Merck, which was the largest manufacturer of quinine in the United States, and the U.S. Commerce and Agriculture Departments, to experiment with cinchona plantations in places including Guatemala and Puerto Rico in the 1930s and 1940s.<sup>31</sup>

Meanwhile, Hoshi Pharmaceuticals leapt at the chance to become a leading quinine manufacturer in Japan. In 1917, Hoshi purchased 9,000 kilograms of cinchona bark from Takeda, and attempted to extract quinine.<sup>32</sup> It succeeded, and in 1917, Hoshi Pharmaceuticals added quinine sulphate to its roster of drugs as it aspired to become one of the world's leading producers of alkaloids.<sup>33</sup> In 1921, the company completed a quinine production facility at its main factory in Shinagawa, Tokyo.<sup>34</sup> Like its worldwide competitors, Hoshi needed to secure stable and cheap sources of quinine, and it, too, looked for ways to work around the Dutch Kina Bureau monopoly.

One method was through contracts with plantations outside the purview of the Kina Bureau; the other was to produce its own quinine. From October 1917 to October 1918, Matsumoto Mikinosuke, the Japanese consul in Batavia (present-day Jakarta), helped Hoshi Pharmaceuticals negotiate a contract to import cinchona bark from the

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<sup>30</sup> Duran-Reynals, 218-220.

<sup>31</sup> Ibid., 220-221.

<sup>32</sup> Miyamoto Teiichi, ed., *Dai ichi hen: kiniine seizō, Hoshi seiyaku kabushiki gaisha no kina jigyō* (Tōkyō: Hoshi seiyaku kabushiki geisha, 1942), 2.

<sup>33</sup> "Seiyakubu no shinseihin: ryūsan kiniine," in *Hoshi seiyaku kabushiki kaisha shahō* (September 1, 1917).

<sup>34</sup> Miyamoto, *Dai ichi hen*, 2.

independent Sadareke Estate in Java.<sup>35</sup> By the time this contract ended in 1924, Hoshi had already entered into a five-year agreement with the Bintan Plantation, which lasted until 1928.<sup>36</sup> These efforts to control a supply of cinchona bark out of the purview of the Kina Bureau attracted international criticism. According to a popular history of quinine written by a Yale microbiologist, M.L. Duran-Reynals, in 1947, Hoshi Pharmaceuticals "wanted to become independent of the Bureau" and "set about to destroy it"; "beginning as early as 1918, agents and salesmen of Hoshi appeared as if by magic everywhere, offering sulphate of quinine below price and praising the infinite wisdom of those who owned their own sources of quinine."<sup>37</sup> From 1919 to 1931, Hoshi imported roughly six million tons of cinchona bark in total over a thirteen-year period, and its surplus after domestic sales allowed Hoshi to become a global supplier of cinchona bark, with government contracts from Greece, Italy, and Bulgaria, in addition to purchasers in London and New York.<sup>38</sup>

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<sup>35</sup> Matsumoto, Mikinosuke, "Hoshi seiyaku gaisha jaba kina hi kōnyū ni kansuru ken," (October 4, 1917), *Gaimushō*.

<sup>36</sup> Miyamoto, *Dai ichi hen*, 23.

<sup>37</sup> Duran-Reynals, 217.

<sup>38</sup> Miyamoto Teiichi, ed., *Dai ichi hen*: 8, 56-57.



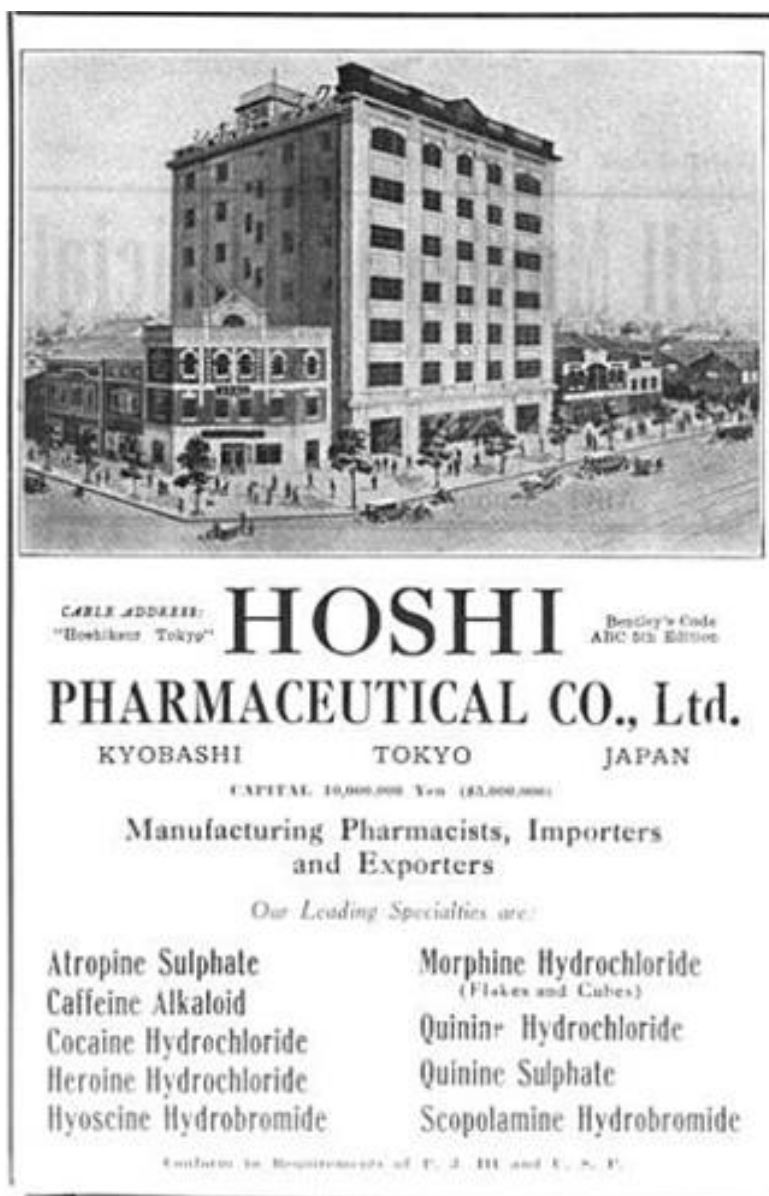


Fig. 5.2: Advertisement from *Oil, Paint and Drug Reporter*, January 17, 1921

Hoshi Pharmaceuticals also obtained cinchona bark without having to go through the Kina Bureau by attempting to grow cinchona in its own plantations. Beginning in late 1917, Hoshi Pharmaceuticals purchased land in the upper regions of the Andes Mountains of Peru in order to cultivate cinchona, coca, coffee, rubber, and other

medicinal plants.<sup>39</sup> One was a five square kilometer parcel of land called the Pampayacu property; the other was a 3,000 square kilometer tract of adjacent land called the Tulamayo property.<sup>40</sup> In 1922, Hoshi imported cinchona seeds and saplings from Java to experiment with growing quinine in two nurseries in Taiwan: one in the village of Laishe (Raisha) in Gaoxiong Prefecture in the southwest, and the other in the village of Zhiben (Shihon) in Taidong Province to the southeast, which would become the basis for Hoshi's quinine project in the 1930s and 1940s.<sup>41</sup> But in 1926, Hoshi abruptly shelved these initial experiments to grow cinchona in Peru and Taiwan when his company fell

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<sup>39</sup> The company purchased these properties through the mediation of Saitō Chiyuki of the *Kaigai kōgyō kabushiki gaisha* (known as K.K.K.K.), a state-sponsored corporation that funded the economic expansion of Japanese businesses and the immigration of Japanese migrants to Southeast Asia and South America. Hoshi Hajime, in fact, did not even visit Peru until 1938, and trusted his associates in Peru so much that he apocryphally remarked, "if there's a river, running water, and trees to cultivate, why the hell not buy it?" (Hoshi seiyaku kabushiki gaisha, "Peruu koku Tsurumayo chiiki jichi tōsa hōkokusho," May 5, 1962, 10-12). Although the company stated it would cultivate cinchona and other agricultural products, Hoshi's main goal was to grow coca for cocaine. The land Hoshi purchased was in the cocaine producing heartland of Peru. (Paul Gootenberg, *Andean Cocaine: The Making of a Global Drug* (Chapel Hill, NC: University of North Carolina Press, 2008), 128-132, 165-166).

Hoshi's plan for its holdings in Peru was similar to its plans for its plantations in Taiwan. It declared that it wanted to create a self-sufficient enterprise not only for the production of cocaine, but also of other types of agriculture including bananas, rubber, coffee, and medicinal plants like cinchona. Because of its connections to the aforementioned K.K.K.K., the company planned the labor force to consist of 20,000 Japanese immigrants, rather than rely on the indigenous population. Ultimately, however, the financial difficulties engendered by the outbreak of the opium scandal in the mid-1920s led the company to give direct control of its holdings to its associates in the K.K.K.K. (Hoshi seiyaku kabushiki gaisha, "Peruu koku Tsurumayo chiiki jichi tōsa hōkokusho," May 5, 1962, 10-29; Gootenberg, 128-132, 165-166).

<sup>40</sup> "Sekai ichi no dankai toshite Nan-bei e no hatten," in *Hoshi seiyaku kabushiki gaisha shahō*, November 1, 1917; Hoshi seiyaku kabushiki gaisha, "Panpayaku no gaichi eikyū uriwatashi yakubun ichi," December 11, 1917; "Hoshi seiyaku no hiyaku," in *Yomiuri shinbun*, August 26, 1919, morning edition; Hoshi seiyaku kabushiki gaisha, "Peruu koku Tsurumayo chiiki jichi tōsa hōkokusho," May 5, 1962, 11-12, 21.

<sup>41</sup> Ōyama, Keisuke, *Doryoku to shinnen no sekai jin: Hoshi Hajime hyōden* (Tokyo: Kyōwa shobō, 1949), 231-232.

into bankruptcy after the opium trading scandal in 1925. In the same year, Hoshi gave up its fight against the Kina Bureau, and became a signatory of the Quinine Convention.<sup>42</sup>

In the early 1930s, however, Hoshi received a reprieve from the Ministry of Home Affairs. This was a time of economic crisis and political upheaval: rampant unemployment and inflation caused by the global depression were crippling the Japanese economy at home while Japan's withdrawal from the League of Nations in the aftermath of the colonization of Manchuria in 1932 ended the brief era of diplomatic internationalism for Japan. Like Hoshi, the Japanese pharmaceutical industry was sputtering, and imported medicines from Europe were once again dominating Japan's domestic market. In response to these crises, the Ministry of Home Affairs began providing subsidies and incentives to promote the research and manufacture of vital drugs like aspirin and the anti-epileptic, phenobarbital. This was a repetition of the emergency drug self-sufficiency policy enacted during World War One.<sup>43</sup>

Quinine was a major part of this policy, and military doctors, bureaucrats from the Ministry of Home Affairs, and scientists from the Taiwan Government-General began visiting the locations of Hoshi's earlier cinchona venture in Taiwan. In August 1933 and May 1934, Hoshi Hajime made an inspection of the locations himself, and began meeting with Government-General authorities to revive his cinchona plantations, thereby setting the stage for the roundtable discussion in April 1934.<sup>44</sup>

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<sup>42</sup> Miyamoto, Dai ichi hen, 47.

<sup>43</sup> Nishikawa, Takashi, *Kusuri no shakai shi: jinbutsu to jiji de yomu 33 hanashi* (Tōkyō: Yakuji nippōsha, 2010), 107-108.

<sup>44</sup> Miyamoto, Dai ni hen, 53-54.

Hoshi Hajime's attempt to grow cinchona during the 1930s and 1940s was an opportunity to revive his company's fortunes and also a chance to heal the open wound to its reputation inflicted by the opium scandal. In a global climate where the rhetoric of self-sufficiency (*jikyū jisoku*) permeated global interactions, Hoshi's plan to cultivate cinchona in Taiwan would help distance himself and his company from the taint of impropriety. Cinchona cultivation would allow Hoshi to demonstrate that the interests of his business were the interests of the nation. But considering Taiwan's harsh climate and the problems the colonial government had had with aboriginals living near Hoshi's plantations, the question whether it could be profitably managed remained key.

### *The Authority of Science and the Productivity of Mountain Lands*

Appeals to the authority of science permeated Hoshi's proposal. Brimming with the language of enlightenment, it deployed science as a tool for overcoming the limits of nature and the imperfections in the body and mind, providing the "how to," rather than questioning the "why." But Hoshi's proposed plantations faced two major obstacles – the harsh, infertile climate of Taiwan's mountain regions and the dangers of the aboriginal population who lived there. In order to sell his venture, he invoked underpinnings of scientific rationality to assert how his project would prevail.

Hoshi relied upon his connections to scientific experts to demonstrate how his plan would work. One such figure was Horiuchi Tsugio -- at the time, the principal of Taiwan Medical School and director of the Hygiene Division of the Central Research Institute -- who spoke about the medical importance of quinine self-sufficiency as well as

the feasibility of growing cinchona in Taiwan. The other was Tanaka Chōzaburō, a botanist from Taihoku (Taipei) Imperial University who explicitly linked Hoshi's grand vision with the future of Japanese agriculture. Together, these experts not only testified to the scientific possibility of growing cinchona in Taiwan and the importance of this project for the future of Japan's empire, but also validated Hoshi's expertise in cinchona and quinine.

Horiuchi was a leading figure in the establishment of Western medicine in Taiwan, having served as a military doctor fighting tropical diseases such as cholera, malaria, and dysentery during the early years of Japan's colonization of Taiwan at the turn of the twentieth century, and as director of the Taihoku Red Cross Hospital in the 1930s. Horiuchi is the main protagonist of one of the first accounts of Japanese colonial medicine in Taiwan, Oda Toshio's hagiographic *Fifty Years of Medicine in Taiwan* (*Taiwan igaku 50-nen*). In his account, Oda portrays Horiuchi, along with his colleague Takagi Tomoe (1858-1943) as heroes whose research in tropical medicine, work in public sanitation, and leadership of Taiwanese medical education set the stage for Taiwan's medical system, and allowed the continued close-knit ties between Japanese and Taiwanese doctors (and, by extension, what he viewed as the affinity that Taiwanese have for Japan and its people).<sup>45</sup>

In the 1934 roundtable discussion, Horiuchi Tsugio followed Hoshi's introduction by speaking about the dangers of the Dutch monopoly over quinine production, and the importance of quinine self-sufficiency for Taiwan. Horiuchi declared that Japan was

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<sup>45</sup> Oda, Toshio, *Taiwan igaku 50-nen* (Tokyo: Igaku shoin, 1974), 13-14, 129. Oda was Horiuchi's son-in-law and disciple who succeeded Horiuchi's former positions of leadership in the Taiwan medical community.

lucky that the Netherlands had been an ally in World War One, but if it became an enemy country and Japan were unable to import cinchona bark and quinine from Java, then "Taiwan would have the most problems."<sup>46</sup> Horiuchi expressed his gratitude to Hoshi for his past actions in helping Taiwan through its "difficulties" -- specifically his securing of cinchona bark from Java in the past and his research accomplishments in extracting quinine -- and how he would be willing to help in any possible way.<sup>47</sup>

Horiuchi then discussed his involvement in Japan's attempt to grow cinchona in Taiwan in order to lend credence to the scientific feasibility of the Hoshi project, and commended the company's previous experience and expertise. In 1916, Horiuchi was a member of an expedition to Java to examine the potential for growing cinchona in Taiwan, because he feared the government would be unprepared for a malaria outbreak. What he discovered was that cinchona is a very finicky species that was extremely difficult to grow in Taiwan. Among other logistical problems such as pests, heavy rainfall, damaging winds, and landslides that are a hallmark of Taiwan's tropical climate and typhoon-prone location, cinchona has to be grown in a year-round temperate climate between forty-five and sixty degrees Fahrenheit. Such conditions existed in mountain regions close to the equator, and there was no place better than "in Java, in Bandung and its vicinity."<sup>48</sup>

Like colonizing nations such as the United States, Britain, and the Netherlands, the Japanese government had recognized the importance of quinine self-sufficiency and

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<sup>46</sup> Hoshi, ed. *Kina ni kansuru*, 39.

<sup>47</sup> Ibid., 38-44.

<sup>48</sup> Ibid., 39-41.

had attempted to cultivate its raw material. The first attempts to examine the feasibility of growing cinchona were carried out between 1882-1885 on Oshima island off Kagoshima and the islands of Yaeyama and Miyakojima of Okinawa. These investigations were led by the botanist Tashiro Yasusada (1856-1928), who, in 1882, had been dispatched by the Ministry of Agriculture to India and Java to examine cinchona cultivation. From 1902 to 1910, while employed by the Taiwan Government-General, Tashiro continued to carry out experiments on cinchona cultivation at the Hengchun Tropical Botanical Garden, which he had founded, as well as at the Shinjuku Imperial Botanical Garden, but without good results. From 1911 to 1921, the director of the Taiwan Government-General Museum, Kawakami Takiya (1871-1915), and the botanist Kanehira Ryōzō (1882-1948), attempted to cultivate cinchona in mountainous places like Taoyuan, Jiaoban, and Alishan, but again without success.<sup>49</sup>

Based on his 1916 expedition to Java and the record of these failed experiments, Horiuchi had become resigned to thinking that cinchona would not grow in Taiwan, but in 1921, he heard that Tashiro Yasusada was able to start cultivating cinchona in the mountains in southern Taiwan, and exclaimed, "ah, so it could be done!"<sup>50</sup> At this time, Tashiro was employed by Hoshi Pharmaceuticals, and according to Tanaka Chōzaburō, Hoshi's previous success in growing cinchona was because of Tashiro's advanced, "cutting-edge" work.<sup>51</sup> In July 1926, however, Tashiro was abruptly released from his contract as Hoshi Pharmaceuticals shelved its cinchona plantation in the wake of the

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<sup>49</sup> Lin Weizhi, "Taiwan zhi jing jina," *Taiwan yinghang jikan*, vol. 8, no. 2 (June 1956), 69-70.

<sup>50</sup> Hoshi, ed. *Kina ni kansuru*, 42.

<sup>51</sup> *Ibid.*, 28.

opium scandal, and he died in 1929.<sup>52</sup> "There is no such thing as science without experience," declared Hoshi in the 1934 roundtable, boasting about the importance of empirical experimentation and of his company's initial efforts, led by Tashiro, to grow cinchona in Taiwan.<sup>53</sup>

While Horiuchi buttressed Hoshi's arguments for quinine-self sufficiency and the practicality of growing cinchona, Tanaka Chōzaburō connected Hoshi's proposal to cultivate cinchona in Taiwan with the agricultural future of the Japanese empire. To Tanaka, cinchona cultivation was part of a larger vision to open up the mountain regions of Taiwan to agriculture. Although he was admittedly a "complete amateur" with regard to cinchona bark, the famed botanist from Taihoku Imperial University had extensive knowledge of edible plants, especially of citrus fruits, which were the centerpiece of his argument to make agriculture in the mountains of Taiwan a "one million yen per year industry."<sup>54</sup>

Central to Tanaka's argument was the presence of the citrus, Tachibana, a plant native to western Japan. According to Tanaka, places that grow Tachibana have "very prosperous industry," and in Taiwan, they only existed at high elevations. Places with the most tachibana plants were at elevations between 1,000 and 1,200 meters in Kaoshiung and Taidong -- the very same locations of Hoshi's cinchona plantations, with roughly the same temperatures as the regions of Chūgoku, Shikoku, and Kyūshū in western Japan. Therefore, Tanaka argued, if fruit trees like "citruses, pears, persimmons, and loquats"

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<sup>52</sup> Yanagimoto, Michihiko, *Meiji no bōkenkagakushatachi: Shintenchī Taiwan ni kaketa yume* (Tokyo, Shinchōsha, 2005), 127-129.

<sup>53</sup> Hoshi, ed. *Kina ni kansuru*, 110.

<sup>54</sup> *Ibid*, 25-26.



were planted as they were in those regions in Japan, then the nation could "at the very least have an industry worth tens of million of yen a year."<sup>55</sup>

On August 26, 1935, Tanaka expanded on his arguments in another roundtable with Hoshi Hajime, the *Taiwan sanchi kaihatsu zadankai*, where he presented his theory for "highland utilization" as the basis for developing Taiwan's mountain regions. At this conference, Tanaka argued that the more temperate, subtropical climate of Taiwan's highlands was "Taiwan's California" where an array of plants could be cultivated -- including citrus trees, tobacco, and Assam tea, as well as for medicinal purposes like coca leaves -- in an entirely self-sustaining environment. Along with the raising of cows and sheep, this was what Tanaka called "three-dimensional" agriculture (*ritai nōgyō*): the cultivation of trees, herbs, and livestock. Tying his project to the geopolitical situation of the times, Tanaka added that "Tachibana is a plant with a very close association to our nation's myths and history; written about in the *Kōjiki*, it's a plant that has been greatly admired and is in harmony with our people."<sup>56</sup> To Tanaka, Hoshi's cinchona project provided the key to agricultural self-sufficiency for Japan's colony of Taiwan.

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<sup>55</sup> Ibid.

<sup>56</sup> Hoshi Hajime, ed., *Taiwan sanchi kaihatsu zadankai* (Tokyo, Hoshi Hajime, 1935), 1-9.



Fig. 5.3 "Hoshi Pharmaceuticals' Cinchona Cultivation in Taiwan's Aboriginal Territories," in *Hoshi seiyaku kabushiki gaisha shahō*, August 18, 1933.

### *Science, Education, and the Aboriginal Problem*

After addressing the environment, Hoshi turned his attention to human problems. The linchpin of Hoshi Hajime's cinchona cultivation scheme was his proposal to solve Taiwan's "aboriginal problem" (*banjin mondai*), which involved a "humanitarian" way of dealing with the aborigines through a vision of peaceful "cooperation." The land Hoshi needed was not a blank canvas, but was occupied by aboriginal tribes that had a tenuous relationship to the island's colonizers. From the sixteenth century, when Portuguese traders discovered Taiwan, to the late-nineteenth century Qing Dynasty policy of "Opening up the Mountains and Taming the Savages (*kaishan fufan*)," how to "manage the headhunters in the mountains" was a primary concern of settlers in Taiwan: could the aborigines be civilized and taught the ways of modern life? Or were they beyond hope, and would it be better to subdue them through military means? And, what implications did "barbarian" policy on the frontier have for the self-regarding civilized center? This had been a major issue for Qing China's rule over Taiwan, and Japan's experiences were similar.<sup>57</sup> After the 1895 Treaty of Shimonoseki when Qing China ceded Taiwan to Japan, there were, on the one hand, ethnographic movements led by scholars such as Inō Kanori (1867-1925) to study and classify the aborigines with an aim toward assimilation; on the other hand, there were several military campaigns against aboriginal tribes during

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<sup>57</sup> See, for example, Emma Teng, *Taiwan's imagined geography: Chinese colonial travel writing and pictures, 1683-1895* (Cambridge, MA: Harvard University Asia Center, 2005) and Robert Eskildsen, "Of Civilization and Savages: The Mimetic Imperialism of Japan's 1874 Expedition to Taiwan," *The American Historical Review*, vol. 107, no. 2 (2002).

the first twenty years of colonial rule.<sup>58</sup> Aboriginal management was enmeshed with the interests of the Japanese camphor industry, which needed access to the camphor forests in the mountains.<sup>59</sup> In this sense, Hoshi's proposal to cultivate cinchona was the latest successor in a long history of interconnections between business interests and government concerns over how to deal with the native population.

In the 1934 roundtable, Yoshida Tokuji of the Aboriginal Affairs Office of the Police Bureau in Taiwan raised the primary dissenting voice against Hoshi's cinchona cultivation scheme. According to Ching-chi Chen, "police involvement in aboriginal affairs in Taiwan was of paramount importance...they were the only government representatives stationed in the remote aboriginal villages...In addition to controlling crime and maintaining order they taught the aborigines techniques of agricultural production, directed aboriginal laborers in building and maintaining roads, managed trading posts, administered and taught in educational stations for children, and provided health care."<sup>60</sup> Based on his experience, Yoshida viewed the "savages" as inflexible and backward, and provided a number of reasons why Hoshi Pharmaceuticals would face difficulties in carrying out its plan.<sup>61</sup> To begin with, the power of tribal leaders meant that in reality, aboriginals answered to two governments. Yoshida described the arrangement as the "two-layer government of the aboriginal world (*bankai no jū-seiji*),"

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<sup>58</sup> John F. Thorne, "Pangcah: The Evolution of Ethnic Identity Among Urbanizing Pangcah Aborigines in Taiwan," Ph.D. diss., University of Hong Kong, 1997.

<sup>59</sup> Ibid.; Antonio C. Tavares, "Crystals from the Savage Forest: Imperialism and Capitalism in the Taiwan Camphor Industry, 1800-1945," Ph.D. diss., Princeton University, 2004.

<sup>60</sup> Ching-chih Chen, "Police and Community Control Systems in the Empire," in *The Japanese Colonial Empire, 1895-1945*, edited by Ramon H. Myers and Mark R. Peattie (Princeton, NJ: Princeton University Press, 1984), 213-239.

<sup>61</sup> Hoshi ed., *Kina ni kansuru*, 51-54.

one determined by the rule of law and the other by the absolute rule of tribal leaders. This was especially true of the "intractable Paiwan tribe," whose leaders had complete authority.<sup>62</sup> Yoshida argued that the "natives" could not be taught, and his prime example was the 1930 Musha Incident, when aboriginals from the Atayal tribe attacked an athletic contest at an elementary school near the town of Puli and killed a hundred and thirty-four Japanese nationals.<sup>63</sup> In the words of Leo Ching, this was the "surprise of all surprises" because "the perpetrators were from what the colonial officials had praised as the most 'enlightened and compliant' of all aboriginal territories, which had relatively higher living and education standards."<sup>64</sup> Indeed, according to Yoshida, the young men educated through the school system were the "intelligentsia," but, "under Mona-rudao's (the tribal chief) single order," they grasped their weapons and struck.<sup>65</sup> In addition, Yoshida explained that even if aboriginals worked as paid laborers, they would drink away their wages because they had a "poor understanding of economics."<sup>66</sup>

Hoshi, however, was undeterred. Rather than use the stick, Hoshi argued it was much better to provide the carrot, and cooperate with the aboriginals for mutual benefit. To Hoshi, the violence against the Japanese government was not a result of the intractability of the native population, but a result of a lack of food and a low standard of

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<sup>62</sup> Ibid.

<sup>63</sup> Leo T.S. Ching, *Becoming "Japanese": Colonial Taiwan and the Politics of Identity Formation* (Berkeley CA: University of California Press, 2001), 138.

<sup>64</sup> Ibid.

<sup>65</sup> Hoshi ed., *Kina ni kansuru*, 52-53.

<sup>66</sup> Ibid., 55.

living.<sup>67</sup> Hoshi argued that the key to raising the low standard of living was education, which Japanese specialists, like himself, Horiuchi Tsugio, and Tanaka Chōzaburō would provide.

Once again, Hoshi relied on Tanaka Chōzaburō's expertise for the scientific foundations of the plan. To natural scientists like Tanaka, the aboriginal problem was not about maintaining order and preventing violent rebellion, but about how finding a way for aboriginals live sustainably in the mountains without "causing the destruction of their land."<sup>68</sup> Having been forced into the mountains in the nineteenth and early twentieth centuries, the aboriginals continued to practice agriculture more suitable to level ground as they "burned mountains with untouched forests, ploughed fields, and grew crops like chestnuts, sweet potatoes, and peanuts" that would leave mountains bare and result in dangerous landslides.<sup>69</sup> Tanaka's answer was to find a suitable and sustainable "staple food," which he argued was the walnut (*kurumi*) as well as other nuts like pecans and pistachios that are harvested without cutting down the forests.<sup>70</sup>

Educating aboriginals in the methods of sustainable agriculture, rather than slash-and-burn methods, would be the centerpiece of the plantation. In order to attract and encourage regular school attendance, mothers would bring their children to school each morning where they would get their daily rations for their families.<sup>71</sup> In a 1935 conference, Hoshi describes these schools as "Frontier Schools (*kaitaku gakkō*)" whose

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<sup>67</sup> Ibid., 73.

<sup>68</sup> Ibid., 23.

<sup>69</sup> Ibid., 7.

<sup>70</sup> Hoshi ed., *Kina ni kansuru*, 12, 24; Hoshi ed., *Taiwan sanchi kaihatsu*, 5-6.

<sup>71</sup> Hoshi ed., *Kina ni kansuru*, 62-68.

purpose was to educate aboriginals in productive methods of agriculture; he called the plantations, "cooperative areas" (*kyōryoku-chi*) where Japanese (*naichijin*), Chinese Taiwanese (*hontōjin*) and aboriginals (*banjin*) would work together in harmony for their common benefit.<sup>72</sup> Echoing Gotō Shinpei's policy of "military preparation in civilian clothing" (*bunsō-teki bubi*), Hoshi's goal was to foster a "business army" (*sangyō guntai*), which, he argued, was just as important as a regular army for the protection of national interests.<sup>73</sup> "Japan was a nation based on the principle of cooperation, and the Japanese were people were willing to cooperate with anyone, irrespective of race, towards progress."<sup>74</sup>

Hoshi's grand vision was not new, he said, but based on the example of Indian reservations in the United States. In the discussion, Hoshi recalled how in 1897, while he was the editor and publisher of his newspaper, *Japan and America*, he accompanied Gotō Shinpei on a tour around the United States. At the time, one of Gotō's purposes for visiting America was to examine the U.S. policy towards Indians, and, according to Hoshi, they inspected several reservations in the Rocky Mountains, which "left them satisfied and impressed." To Hoshi, American Indian reservations provided the best model for protecting and nurturing the lives of aboriginal peoples in Taiwan.

Hoshi also added that he had previous experience in that he had succeeded in establishing schools to educate aboriginals at his plantations in the Andes.<sup>75</sup> An October

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<sup>72</sup> Hoshi Hajime, ed., *Banjin to naichijin to no kyōryoku: Taiwan bankai oyobi tōbu kaitaku -- nijū ko nen naichi ijūsha hyaku-man nin* (Taipei: Hoshi Hajime, 1935), 23-26; Metzler, 56.

<sup>73</sup> Hoshi, ed. *Kina ni kansuru*, 46-47; Metzler, 56.

<sup>74</sup> *Ibid.*, 18.

<sup>75</sup> *Ibid.*, 12-13; 46.

1, 1919 article in the company newspaper mentions an elementary school taught by one of Hoshi's leading managers in Peru, Sawada Masaho. The school had nineteen students, tuition was "free to win over the natives (*roha de dojin o tenazukeru*) by accommodating their children," and written on the blackboard were the words, "Escuela de Pampayacu, el unico colegio en la Montana" (School of Pampayacu, the only school in the region called Montana).<sup>76</sup>

Hoshi's proposal to educate and improve the standard of living of aboriginals was also inspired by Hoshi Pharmaceuticals' chain store experience in East Asia. Hoshi held chain store assemblies that brought together chain store managers for daylong regional seminars to exchange ideas on how to improve sales.<sup>77</sup> In addition, Hoshi hosted regular training sessions for chain store managers throughout the country near his factory in Shinagawa, where they were housed in dormitories, fed, and exposed to such guiding principles of the company as "Kindness First" at lectures on subjects like individual self-improvement, etiquette, hard work, and efficiency.<sup>78</sup>

One of the school's textbooks was titled *Principle Laws of Scientific Management* (*Kagakuteki keieihō no shintei*), which emphasized efficiency and hard work as well as close-knit collaboration between storeowner and clerk to work toward a common goal. "Scientific (*kagakuteki*)" and "rational (*gōriteki*)" were catch phrases of the time that permeated the corporate culture of Hoshi Pharmaceuticals. The company's newspaper,

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<sup>76</sup> "Nan-Bei no risō kyō ni katsu: odoraseru Sawada honshain," in *Hoshi seiyaku kabushiki kaisha shahō*, October 1, 1919. I have no clue why this region was called Montana. Perhaps it still is.

<sup>77</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyō* (Tokyo: Hoshi seiyaku kabushiki gaisha, 1929), 26-28.

<sup>78</sup> Ōyama, 152-158.



distributed to all chain store managers, were filled with articles like "The Power of Science and the Power of People;"<sup>79</sup> "The World is Already in the Era of Scientific Management;"<sup>80</sup> "Scientific Drug Industry Management;"<sup>81</sup> and "Our Rational Activities."<sup>82</sup>

In the preface of the textbook, Hoshi wrote that "scientific management" was originally the idea of an American engineer, but had been "modified and improved by many people," and this textbook overlapped with this engineer's ideas because Hoshi had taken them as his starting point. The "American engineer" was Frederick Taylor, although Hoshi did not mention him by name. In his classic 1911 work, *The Principles of Scientific Management*, Taylor argued for applying scientific principles to study, select, train, and develop all employees to ensure that they produce at their optimum capacity without wasted motion. He advocated providing extra incentives for the most productive workers, for the benefits of and moral duty to teaching and improving the workingman, and for the importance of cooperation between management and labor. "In place of the suspicious watchfulness and the more or less open warfare which characterizes the ordinary types of management, there is universally friendly cooperation between the management and the men."<sup>83</sup> The threat of "open warfare" by labor was a

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<sup>79</sup> "Kagaku no chikara to ningen no chikara" in *Hoshi seiyaku kabushiki kaisha shahō*, June 1, 1918.

<sup>80</sup> Hoshi Hajime, "Yo wa sude ni kagakuteki keiei no jidai nari," in *Hoshi seiyaku kabushiki kaisha shahō*, January 1, 1922.

<sup>81</sup> "Kagakuteki yakugyō keiei: mada konpon seishin wo tateyo!" in *Hoshi seiyaku kabushiki kaisha shahō*, May 1, 1922.

<sup>82</sup> Hoshi, Hajime, "Wareware no gōriteki katsudō," in *Hoshi seiyaku kabushiki kaisha shahō*, January 1, 1928.

<sup>83</sup> Frederick Taylor, *Principles of Scientific Management* (New York: Harper, 1911), 28.

never-ending threat to management -- this was the time of muckrakers like Upton Sinclair, a time when memories of major strikes like the Homestead and Pullman Strikes were fresh in the minds of managers. Thus, Taylor's key selling point was that "One of the marked advantages of scientific management lies in its freedom from strikes."<sup>84</sup>

If one were to substitute "strikes" for "rebellions," Taylor's language could easily apply to Hoshi's ideas for managing aboriginal tribes in Taiwan. The language of "enlightened" aboriginal policy was the same as the language of a business culture infused with the principles of scientific management. As Judith Merkle writes in her analysis of scientific management:

The core of Taylorism was clearly an explicit call for reconciliation between capital and labor, on the neutral ground of science and rationality...power in the production process was to be transferred to the hands of those custodians who knew more about the system, and what was really good for it, through the aid of their scientific insight. In short, power would be in the hands of Taylor, the scientific managers, and the category of well-intentioned, rational, public-spirited, virtuous, middle-class technicians that they represented. This power was the essential condition for the imposition of their world-view upon the production situation."<sup>85</sup>

This equivalence between aboriginal and laborer did not travel in only one direction. At the September 1928, "Convention of the Federation of Manufacturers and Distributors" (*Seizōka hanbaijin renmei taikai*), for example, Hoshi declared, "In times of extreme competition, manufacturers and distributors needed action; otherwise they would inevitably die out...like raw aboriginals (*seiban*) waiting to be cured when sick." Hoshi called the arrangements between the company and manufacturers, "cooperative

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<sup>84</sup> Frederick Taylor, *Shop Management* (New York: Harper, 1911), 68.

<sup>85</sup> Judith A. Merkle, *Management and Ideology: The Legacy of the International Scientific Management Movement* (Berkeley, CA: University of California Press, 1980), 15.

villages" (*kyōryoku mura*). For Hoshi Pharmaceuticals, cooperation had many contexts and inflections, but all worked to benefit its bottom-line.<sup>86</sup>

### *The Problems of Translation*

Hoshi's 1934 roundtable discussion was a performance for public consumption. After newspapers such as the *Yomiuri Shinbun* publicized his project in the early spring of 1934, Hoshi invited a reporter from the major Japanese daily in Taiwan, the *Taiwan nichichi shinpō*, as one of the roundtable's principal attendees.<sup>87</sup> This led to a series of reports in this newspaper.<sup>88</sup> A 1934 press release in the American Chemical Society's *Chemical and Engineering News* echoed Hoshi's presentation:

Japanese officials have drafted Mr. Hoshi, who is experienced in the manufacture of quinine, to take charge of this enterprise, which is designed to break the monopoly so far enjoyed by the Dutch...But it is to the following feature we wish to call attention. Mr. Hoshi proposes to promote the material development of Formosa head hunters and intends to give them "stability of living, peace of mind, and hope."<sup>89</sup>

Hoshi Hajime also published an edited transcript of the roundtable discussion in some two thousand copies, which, according to Hoshi, were so popular that he printed additional editions and published a sequel, which detailed further

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<sup>86</sup> Hoshi seiyaku kabushiki gaisha, *Hoshi no soshiki to sono jigyo*, 26-28.

<sup>87</sup> "Kiniine mo jikyū keikaku: Taiwan de saibai," in *Yomiuri shinbun*, March 28, 1934; Hoshi Hajime, "Kina ni kansuru dai ni zadankai sokkiroku insatsu ni tsukite," in *Kina ni kansuru dai ni zadankai sokkiroku*, edited by Hoshi Hajime (Tokyo: Hoshi Hajime, 1934).

<sup>88</sup> "Banjin to kyōryoku shi kina no dai zōrin Hoshi shi ga kankeiryokusha wo shōtai: kina zadankai wo hiraku," in *Taiwan nichichi shinpō*, May 3, 1934, evening edition; Ikaruko, "Kina no zenbō to Hoshi seiyaku kaisha," in *Taiwan nichichi shinpō*, May 3, 1934.

<sup>89</sup> "Cinchona in Formosa," in *Chemical Engineering News*, vol. 12, number 14 (July 20, 1934), 259.

conversations he had with government leaders and scientists about growing cinchona during a one-month trip to Taiwan in August 1934.<sup>90</sup> The "new books" section of the September 1934 issue of the colonial government's monthly magazine *Taiwan*, described how Hosni's *Kina ni kansuru zadankai sokkiroku* was a free pamphlet that "has a lot of useful points for anyone, even at a glance" for those interested in colonial development.<sup>91</sup>

The early years of Hoshi Pharmaceuticals' cinchona adventure in Taiwan seemed to proceed according to plan. The *Taiwan nichichi shinpō* reported in March of 1935 that Hoshi had secured one million yen of funding for the venture from Hosken Trading, Inc., and in the following September, Hoshi registered a separate holding company to oversee the project, the *Taiwan Hoshi seiyaku kabushiki kaisha*, with a capital of 1,250,000 yen.<sup>92</sup> According to the colonial journal, *Riban no tomo*, Hoshi Pharmaceuticals had sponsored the third part of an exhibit on the history and future of aboriginal life at the Fortieth Anniversary Taiwan Exhibition, which discussed how cinchona cultivation in the village of Laishe had begun to demonstrate how even in the desolate mountains, "there is potential for [industrial agricultural] development if crops suitable to the land are chosen, even in aboriginal areas that have little value to industry."<sup>93</sup>

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<sup>90</sup> Hoshi Hajime, *Kina ni kansuru*; Hoshi Hajime, "Kina ni kansuru...ni tsuite."

<sup>91</sup> "Shinkan shōkai" in *Taiwan*, vol. 5, number 9 (September 18, 1934), 62.

<sup>92</sup> "Hoshi Hajime shi no kina jigyo: Beikoku shikinka kara hyaku man yen enjo," in *Taiwan nichichi shinpō* (March 23, 1935); "Shinhonkin hyaku ni-jū go-man-en no Taiwan Hoshi seiyaku gaisha mikka setsuritsu tōki wo kanyryō," in *Taiwan nichichi shinpō*, September 4, 1935; "Taiwan shinshe xing zhiyao huishe," in *Taiwan ri ri xinbao*, September 5, 1935.

<sup>93</sup> "Riban kankei shuppin kaisetsu," in *Riban no tomo*, October 1, 1935.

Despite the early publicity, the initial promise proved short lived as Hoshi's cinchona venture soon turned to red ink. In 1938, Hoshi Pharmaceuticals entered into a joint venture with Taiwan Development Company (*Taiwan kaitaku kabushiki gaisha*) to create a separate entity, the Hoshi Quinine Industry Company (*Hoshi kina sangyō kabushiki gaisha*).<sup>94</sup> According to its annual report, in 1940 Taiwan Development Company came to the rescue of Hoshi and invested 250,000 yen after worries surfaced that Hoshi Pharmaceuticals' cinchona cultivation project was facing financial difficulties and would have to be abandoned.<sup>95</sup> Some of the problems were undoubtedly due to the other financial troubles Hoshi Pharmaceuticals faced around the same time. In the late 1930s, the company was still in the process of resolving its debts to creditors through the process of "compulsory arbitration" (*kyōsei wagi*) that had begun in 1933 in the aftermath of the opium scandal.<sup>96</sup> In addition, from 1931 through 1937, Hoshi Pharmaceuticals became entangled in legal proceedings against Osaka Pharmaceuticals (*Osaka seiyakujo*) for counterfeiting its trademarked patent medicine, Hoshi Stomach Medicine.<sup>97</sup>

But perhaps a more important reason was the mundane, day-to-day problems facing the project. First of all, the climate was a major obstacle, especially during typhoon season, when high temperatures and gusts of wind and rain damaged both crops and local infrastructure.<sup>98</sup> This had two direct influences on the production of cinchona. First, it

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<sup>94</sup> Sakurada Saburō, ed., *Taiwan takushoku kabushiki kaisha jigyo gaikan* (Tōkyō: Taiwan Takushoku, 1940), 38.

<sup>95</sup> Ibid.

<sup>96</sup> Tokyo-ku saiban sho, "Kyōsei wagi saiken kakutei kaku shōmei gan," December 3, 1937.

<sup>97</sup> Tokyo kōsoin, "Shōhyō ken jiken hanketsu ni taishite no kōso jiken no hanketsu," May 28, 1936.

<sup>98</sup> Compared with Bandung in Java, which had an average high of 22.0 Celsius year round, the plantations in Zhiben and Laishe had an average annual temperature of 19.4 and 19.2 degrees Celsius,

greatly influenced which species of cinchona would prosper. The two species of cinchona cultivated in Hoshi's plantations were *Cinchona ledgeriana* and *Cinchona succirubra*, with the former dominating production in Java because of its higher quinine content and the latter prized in the harsher conditions of Taiwan because of its relative durability and ease of growth. In a report based on his August 1941 visit to the cinchona plantations in Taiwan, Miyamoto Sadaichi, a managing director of Hoshi Pharmaceuticals at the time, advocated that the planting of ledgeriana seeds should be stopped and that only succirubra seeds should be planted.<sup>99</sup>

Second, Hoshi's plantations faced the problem of insufficient labor. This was particularly an issue in Zhiben, which was located in the sparsely populated region of Taidong where labor shortages were a problem not only for Hoshi's plantations, but for other companies that maintained plantations for growing crops like cocoa and coffee or refineries for charcoal and cement.<sup>100</sup> Cinchona cultivation was very labor intensive, especially during the dry season when tasks included the removal of weeds, harvesting, and clearing of land, in addition to the peeling and drying of the cinchona bark.<sup>101</sup> In

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respectively. In Zhiben, the average high in the summer was 23.6, and the average low in the winter was 17.0 degrees Celsius. In Laishe, the average high in the summer was 23.9, and the average low in the winter was 16.3 degrees Celsius (Takagi, 40-41). Rainfall, however, varied dramatically depending on location. Zhiben averaged between 2,000 and 3,000 millimeters of precipitation per year, while Laishe averaged between 5,000 and 6,000 millimeters of precipitation. For both locations, the highest rainfall occurred during the summer typhoon season (May to September), which accounted for well over half of an entire year's rainfall (Takagi, 42-43). In contrast, Bandung averaged roughly 1,900 millimeters of rain, with the heaviest rainfall between November and April (Lin, 75). Tropical weather also contributed to infestations of pests, such as the "tea mosquito," *Helopeltis antonii*, which damaged the growth of cinchona trees by infecting their leaves (Takagi, 28-29).

<sup>99</sup> Miyamoto, *Dai ni hen*, 165-177.

<sup>100</sup> Takagi, 86.; Miyamoto, *Dai ni hen*, 172-173, 182. One of the other major companies was Morinaga Candy.

<sup>101</sup> Takagi, 33.

addition, weather problems directly contributed to issues with labor: because of wind and water damage, there were times when labor power was devoted to repairing roads, and "although it seemed like there were enough hands, in reality, there were not."<sup>102</sup>

A related problem was the issue of remuneration and motivating the laborers to work. The centerpiece of Hoshi's proposal had been to kill two birds with one stone by employing aboriginal laborers as a solution to Taiwan's "aboriginal problem." Hoshi stated that he would educate aboriginals in the ways of modernity, with a focus on teaching sustainable methods of highland agriculture. In the 1934 roundtable, Hoshi advocated providing food, education, and other benefits in order to induce laborers to work. But according to Miyamoto, the few "native aboriginals" (*dochaku banjin*) in Zhiben were unwilling to work and were not starving for food or education. They seemed to have "no desire for money (*kinsen yoku naku*)" and "sufficient land for living."<sup>103</sup> The situation in Zhiben was so bad that the plantation had to import aboriginal laborers from western Taiwan, including ethnically-Chinese Taiwanese who worked for higher wages (one yen and thirty sen a day compared to ninety sen a day for aboriginals) and, who, in Miyamoto's words, were "mostly a lazy bunch of people who had no work ethic and had squandered their money in the West."<sup>104</sup>

To alleviate the labor problem in Zhiben, Miyamoto recommended importing coolie (*kuryoku*) laborers from the more populated western part of Taiwan.<sup>105</sup> Hoshi,

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<sup>102</sup> Miyamoto, *Dai ni hen*, 182.

<sup>103</sup> *Ibid.*, 182.

<sup>104</sup> *Ibid.*, 177, 182. In addition, women and children were employed, with wages as roughly 80% to 50% that of the men, respectively.

<sup>105</sup> *Ibid.*, 182.

along with other companies in the area, imported coolies to work for ten days at a time, at roughly 110 sen for the entire time period.<sup>106</sup> From December 1941 to October 1942, the number of Taiwanese employed at Zhiben decreased from 132 to 78 while the number of aboriginal workers increased from 12 in December 1941 to 62 members in April 1942.<sup>107</sup> Companies recruited coolies by applying to the local "aboriginal office (*banchi kankatsu chūzaijo*).\" One report stated that because demand for labor was so high, it was \"customary to give gifts (*shinmotsu*) like money and liquor to police officers to facilitate transactions,\" and added \"whichever way you look at it, obtaining labor was an underhanded process (*uramen kōsaku*).\"<sup>108</sup> This was a far cry from the fantasy of cooperative relations between management and labor.

### *Quinine and World War II*

World War II, like the Great War two decades earlier, underlined the demands on the Japanese drug industry. To meet the demand of its battles across the Pacific and on the Asian continent, the government nationalized the pharmaceutical industry to meet the demands of the wartime crisis. This had begun with the April 1, 1938 promulgation of the \"National Wartime Mobilization Law\" (*Kokka sōdōin hō*), and it continued with directives like the May 1941 \"Regulations to Control the Production and Distribution of

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<sup>106</sup> Takagi, 89-90.

<sup>107</sup> Ibid., 87, 91-114. Compared to Zhiben, Laishe had relatively few labor problems. The plantation \"advantageously\" employed no Taiwanese at all, and the number of workers roughly stayed the same between December 1941 and October 1942, fluctuating between a low of fifty-four workers and a high of sixty workers.

<sup>108</sup> Ibid., 105-106.



Medical Goods and Hygiene Products" (*iyakuhin oyobi eisei zairyō seisan haikyū tōsei kisoku*). Through such laws, the government forced competing firms to cooperate with each other by fixing prices and sharing knowledge and resources. Nationalization culminated with the January 1944 formation of the Medicine Regulation Company (*iyakuhin tōsei kabushiki gaisha*), which ultimately consolidated every pharmaceutical company and pharmacy under the banner of a single company.<sup>109</sup>

At this time, Japan's military involvement in malaria-infested regions of China and Southeast Asia not only intensified the demand of quinine, but also the production of related anti-malarial medicines used in conjunction with quinine, such as atebrin and acrinamine. As Japan's empire expanded into Southeast Asia in the late 1930s and 1940s, the issue of quinine self-sufficiency dovetailed with Japan's "Southward Advance Policy," which emphasized the benefits of expanding southward for resources, economic benefits, and the protection of the peoples of Asia against the imperialist West.

Although the rhetoric of quinine self-sufficiency became even more pronounced in the 1940s Greater East Asian War and with the establishment of the Co-Prosperity Sphere, the issues remained the same. In 1941 correspondence from the managing director of Takeda Pharmaceuticals to the Government Planning Ministry (*Kikakuin*), which was established in 1937 to oversee industries vital to the war effort, Managing Director Takeda Yoshizō explicitly referred to World War One to argue that securing quinine was absolutely vital to the war in the Pacific and to Japanese living there. As

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<sup>109</sup> Nihon yakushi gakkai, ed., 84-85.

the experience of "the First European War" had shown, "even when Japan was a member of the Allied Powers, securing quinine had been extremely hard."<sup>110</sup>

The Japanese military's takeover of Java -- and with it, the world's heartland of cinchona production -- helped meet the demand for quinine. On February 20, 1942 -- during Japan's invasion of Java -- the Army Ministry (*Rikugunshō*) issued the "Emergency Cinchona Policy" (*Kina kinkyū taisaku*), in response to the growing concern that quinine consumption was outstripping supplies. At the time, Japan had approximately fifteen tons of quinine reserved for the army, and at the current rate (the army in Southeast Asia consumed approximately three-and-a-half tons of quinine a month, while the army in China consumed roughly two tons of quinine a month), the army's supply of quinine would run out in under three months.<sup>111</sup> This policy consolidated the cinchona cultivation and quinine manufacture of five companies -- Hoshi Pharmaceuticals, Takeda Pharmaceuticals, Shionogi Pharmaceuticals, Nankoku Industries (*Nankoku sangyō*), and Kyokunan Industries (*Kyokunan sangyō*) -- and made plans for the takeover of the cinchona industry in Java.<sup>112</sup>

Japan's victory in Java and the subsequent takeover of the Dutch cinchona industry alarmed the Allied Powers. According to a July 1943 article published in the American journal, *The Scientific Monthly*, "something like panic seized the country when Java fell in March, 1942. Quinine, hitherto rarely mentioned in the newspapers, yielded, through our clipping services, thousands of articles charging, 'shortage,' 'hoarding,' 'price-fixing,'

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<sup>110</sup> Takeda Yoshizō, "Mararia chiryō yaku kiniine juyō taisaku shiryō" (Osaka: Kabushiki kaisha Takeda Chōhei shōten, 1941).

<sup>111</sup> Rikugunshō kōseika yijika, "Kina kinkyū taisaku (Emergency cinchona policy)," November 20, 1942.

<sup>112</sup> Ibid.

'government incompetence,' 'speculation,' 'monopoly.'" This led the United States government to order the rationing of quinine for strictly military purposes; the production of totaquina, a similar anti-malarial drug that diluted quinine with other alkaloids extracted from cinchona bark; and the fixing of the price of cinchona and quinine imported from South America.<sup>113</sup>

Meanwhile, the plantations in Taiwan had barely begun to produce cinchona. According to a 1940 Taiwan Development Company report, the amount of cinchona bark produced in Hoshi's plantations "has not even reached what one would call a production yield (*Mada seisanryō to iwareru hodo no mo nashi*)."<sup>114</sup> Cultivators generally wait an average of ten years before they cut down mature cinchona trees for harvesting, and Hoshi was likely no different.<sup>115</sup> But Hoshi did harvest small amounts of bark from damaged trees, fallen branches, as well as from regular pruning and other types of maintenance. In Zhiben in 1940, twenty-seven kilograms of cinchona bark were harvested from fallen trees, and in 1941, there were roughly five hundred kilograms of cinchona bark in storage in Laishe.<sup>116</sup> By 1941, Hoshi Pharmaceuticals had expanded cinchona cultivation to four other plantations, in Jiaxian in Gaoxiong, Qingshui in Hualian, and Daxi and Damali in Taidong.<sup>117</sup> Hoshi's plantations finally started to produce viable yields of cinchona toward the end of World War Two.<sup>118</sup>

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<sup>113</sup> "Quinine: The Story of Cinchona," *The Scientific Monthly*, vol. 57, no. 1 (July 1943), 17-32.

<sup>114</sup> Taiwan takushoku kabushiki kaisha chōsa ka. "Taiwan ni okeru kina saibai jigyo gaiyō" (Taipei: Taiwan takushoku kabushiki kaisha chōsa ka, March 1940).

<sup>115</sup> Takagi, 14-15.

<sup>116</sup> *Ibid.*, 175.

<sup>117</sup> Xing guina chanye zhushi huishe, "Zhen shixiang biao," in "Xing guina chanye zhushi huishi cheng linwuju songjiao huishe gexiang ying cha tian shixiang bagaoshu," July 3-4, 1946.

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In the words of the anthropologist Anna Tsing, "Capitalism, science, and politics all depend on global connections. Each spreads through aspirations to fulfill universal dreams and schemes. Yet this is a particular kind of universality: it can only be charged and enacted in the sticky materiality of practical encounters."<sup>119</sup> Hoshi's proposal embodied visions of self-sufficiency, agricultural development, and cooperative social and business relationships across border and races. It was based on the idea of universal commensurability, that cinchona cultivation in the mountains of Java and Peru could be replicated in Taiwan -- Tanaka Chōzaburō had likened the mountains of Taiwan to be Japan's Shikoku and Kyūshū and even its "California." Hoshi's aboriginal policy was inspired both by expeditions to Native American reservations in the United States, its chain store network, the works of Frederick Taylor, and Japanese colonial policy. Advances in botany and scientific management would, in theory, apply equally well to Taiwan as to other regions across the globe. The problem was that despite similarities in climate and topography to Bandung in Java, the cinchona plantations in Taiwan's mountainous regions had their own "sticky materialities," composed of different soil compositions, topographies, and social environments in which "practical encounters" had to occur.

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<sup>118</sup> Ibid. According to statistics, in 1945, from trees planted between 1936 to 1942, a total of 96,461 trees had been harvested with 1,246,000 trees remaining; from this 33,766 kilograms of cinchona bark had been produced, with 13,871 kilograms sold, and 19,905 kilograms remaining.

<sup>119</sup> Anna Tsing, *Friction: an ethnography of global connection* (Princeton, NJ: Princeton University, 2005), 1.

Financial gain in this venture, however, might have been less important to Hoshi than rescuing his company's reputation. As Hoshi himself pointed out, cinchona was extraordinarily difficult to grow in Taiwan and required large capital investments as well as long-term planning. The risks were enormous, even though the government was on hand, as ever, to help manage that risk. It was an unlikely course of action for a company that had been so close to financial collapse. But the project made perfect symbolic sense because quinine was not just any drug. By centering his project on the medicine *par excellence* of civilizing missions across the globe, Hoshi wanted to prove once again that his company embodied humanitarian and nation-building motives. Hoshi's appeals to leading scientific experts helped to legitimate his plans and to bolster his reputation. If quinine could be produce through "humane" aboriginal management that so clearly reflected his company's principle of cooperation (*kyōryoku*), then even better.

Producing quinine, however, was not the entire story. The company almost never spoke about the other major crop it cultivated in Taiwan: coca. The opium scandal was still too close, and anti-narcotics watchdogs had their eyes firmly on Japan for any signs of smuggling.<sup>120</sup> While the company celebrated its quinine plantations, it quietly maintained a 1.64 square kilometer coca plantation in the village of Zhongpu in the Jiayi (Kagi) District of Tainan, which was actually very close to Laishe. In 1944, it produced 44,597 kilograms of coca leaf, and 330.400 kilograms of cocaine, and as of

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<sup>120</sup> For a salacious description of Japan's cocaine trafficking, see Steven B. Karch, *A Brief History of Cocaine: from Inca Monarchs to Cali Cartels: 500 Years of Cocaine Dealing* (Boca Raton, FL: CRC/Taylor and Francis, 2006), 147-160. Also see Gootenberg, 128-132.

October 1945, had 300,000 coca plants in cultivation. Hoshi first purchased the land in September of 1918, and it imported seeds and knowledge from its holdings in Peru.<sup>121</sup>

Whether Hoshi intended to have his quinine project serve as cover for illicit cocaine trafficking or not, it was, above all, an advertisement designed to rescue his company's name.

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<sup>121</sup> Taiwan Hoshi seiyaku kabushiki gaisha, "Kigyō taisho," October 31, 1945. Hoshi's Pampayacu property in Peru contained the Pampayacu plantation, which was a major cocaine-producing plantation that had been owned by leading figures in the Peru cocaine trade (Paul Gootenberg, *Andean Cocaine: The Making of a Global Drug* (Chapel Hill, NC: University of North Carolina Press, 2008), 128-132, 165-166).

## Conclusion

After the end of World War Two, the victorious Allied Powers occupied a defeated Japan and embarked on an effort to remake, reconstruct, and revolutionize all aspects of the government, economy, and society: the goal was to root out the causes of Japanese militarism and to create a peace-loving and democratic nation based upon American ideals and examples.

The occupying forces immediately encountered the threat of starvation, malnutrition, and epidemic disease. On October 2, 1945, Occupation officials created the Public Health and Welfare Section (PHW). Led by an army doctor, Section Chief Crawford Sams, the PHW was charged with instituting public health and hygiene policies that would improve sanitation and prevent epidemic and sexually-transmitted diseases, both within the occupying Allied military forces as well as the public at large. PHW initiated emergency relief operations to deal with starvation and malnutrition, ordered wide-scale dusting with DDT to prevent malaria, and quarantined and vaccinated suspect populations like the repatriates (*hikiagesha*) from Asia.<sup>1</sup>

In order to meet the immense demand for medicines -- and to fight off harmful inflation, which led to shortages and other consumer goods -- PHW attempted to revive Japan's pharmaceutical industry. To do so, the Allied Occupation relied upon Japan's existing drug distribution system instituted during the wartime period under the Ministry of Welfare. The goal was to restore the functioning of Japan's domestic pharmaceutical

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<sup>1</sup> Nishikawa Takashi, "*Kusuri*" *kara mita Nihon: Shōwa 20 nendai no genfūkei to kyō* (Tokyo: Yakuji nippōsha, 2004), 23-51; Eiji Takamae, *Inside GHQ: the Allied Occupation of Japan and its Legacy*, translated and adapted from the Japanese by Robert Ricketts and Sebastian Swann (New York: Continuum International Publishing, 2002), 190-192.

industry, which, by 1946, had fallen to fifteen percent of the productive capacity achieved during its wartime peak of 1941 as a result of damage from aerial bombings and shortages in raw materials and labor.<sup>2</sup> Through occupation policies that encouraged the domestic production of pharmaceuticals, by 1950 the industry had returned to 94.5 percent of its productive capacity in 1941.<sup>3</sup>

Hoshi Pharmaceuticals was largely left out of this early postwar industry-wide revival. And the reason once again had to do with opium. In addition to preventing diseases and famine, one of the primary concerns of the Public Health and Welfare Section was the regulation of narcotics to prevent addiction as well as the potential for Japan to revive its role in the illicit international narcotics trade. From September through November 1945, occupation authorities issued a series of directives that required the "full itemization" of stockpiles of narcotics and a prohibition on the import, export, growth, and manufacture of narcotics including opium, cocaine, morphine, heroine, and marijuana as well as their unlicensed use and consumption.<sup>4</sup> Under the occupation's direction, the Ministry of Welfare issued these directives to the major narcotics-producing drug companies including Sankyō, Takeda, Dai Nippon, Shionogi, Radium, and, of course, Hoshi.

Occupation officials, however, were concerned about whether these companies actually followed their directives in practice. On November 5, 1945, Wayland L. Speer,

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<sup>2</sup> Ibid., 23.

<sup>3</sup> Ibid., 23.

<sup>4</sup> H.R. Friman, "The Impact of the Occupation on Crime in Japan," in Mark E. Caprio and Yoneyuki Sugita, Eds., *Democracy in Occupied Japan: The U.S. Occupation and Japanese Politics and Society* (London; New York: Routledge, 2007), 92-93; Nishikawa, 52-54. Also see Miriam Kingsberg, "Methamphetamine Solution: Drugs and the Reconstruction of Nation in Postwar Japan," *Journal of Asian Studies*, vol. 76, no. 1 (2013), 1-22.



the official who oversaw narcotics, accompanied by personnel from the Welfare Ministry, paid a surprise inspection visit to Hoshi Pharmaceuticals' main factory in Tokyo. They discovered the company continuing to produce morphine -- a clear violation of Directive 130, which prohibited the production of narcotics. Despite protests that Hoshi never received official word from authorities to stop its production, the company suffered major penalties. On November 6, Speer ordered Ministry officials to confiscate all of Hoshi's narcotics. Other medicines were doused with gasoline and burned on the spot. A military police officer was assigned to oversee the company's daily activities, and the company was prohibited from producing not only narcotics, but also any and all kinds of medicines.<sup>5</sup>

These punishments effectively ended the company. Although occupation authorities removed many of the restrictions placed on Hoshi by 1948, the damage to the company's finances and reputation had already been done. Despite the company's numerous petitions and protests, however, the Occupation continued to deny Hoshi the right to manufacture narcotics for medicinal use. Those rights were granted, instead, to three of Hoshi's long-time rivals, Takeda, Sankyō, and Dai Nippon. Once Japan's leading narcotics producer, Hoshi Pharmaceuticals was never able to produce opium-derived medicines again.<sup>6</sup>

Meanwhile, Hoshi Pharmaceuticals suffered a similar fate with its holdings abroad. After Japan's surrender to the Allied Powers, the Chinese Nationalist

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<sup>5</sup> Nishikawa, 54-56; Hoshi Hajime, "Hoshi seiyaku kabushiki gaisha ni mayaku seizai no seizō wo kyōka sezarū ken ni kanshite chinjō," August 31, 1946; Saishō Hazuki. *Hoshi Shin'ichi: 1001 hanashi wo tsukutta hito* (Tokyo: Shinchōsha, 2007), 112-113.

<sup>6</sup> Nishikawa Takashi, 54-56; Hoshi Hajime, "Hoshi seiyaku...mayaku seizai no seizō...", August 31, 1946; Saishō, 112-113.

Government (*Guomindang*) confiscated Hoshi's property in Taiwan as well as those of its competitors. At the end of the war, the two subsidiary companies of Hoshi Pharmaceuticals that oversaw the cinchona plantations, Taiwan Hoshi Pharmaceuticals and the Hoshi Quinine Industry Company, had a total capital of 2 million yen and 1.25 million yen respectively.<sup>7</sup> In 1946, the Nationalist Government created a state monopoly for the control of the drug industry, placing all of these properties under the roof of the Taiwan Medical Goods Company (*Taiwan yiyaopin gongshi*).<sup>8</sup> The property of Hoshi Pharmaceuticals in Taiwan -- along with that of other Japanese drug companies -- thus became the foundation for Taiwan's early postwar drug industry. But as quinine became less and less important with the widespread use of DDT and the development of synthetics like chloroquine to combat malaria, Hoshi's former plantations gradually went out of business by the late 1960s.<sup>9</sup> Hoshi also turned over its coca plantation to the Chinese Nationalists, but whether it continued producing cocaine for the new government is unclear.<sup>10</sup>

On January 18, 1951, Hoshi Hajime suddenly died of pneumonia in Los Angeles, while en route to Peru in a last-ditch attempt to recover his company's holdings in the Andes.<sup>11</sup> In 1935, a Peruvian citizen had brought a local lawsuit against Hoshi that questioned the validity of the sale of Tulumayo to a foreign company. Amid rising anti-

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<sup>7</sup> Nonglinchu linwuju, "Linwu gongshi zhiben tongjibiao" (August 15, 1945).

<sup>8</sup> Lin Weizhi. "Taiwan zhi jing jina." In *Taiwan yinghang jikan*, vol. 8, no. 2 (1956), 72-73. Fan Zuoxun, *Taiwan yaoxue shi* (Taipei: Zhengshi yaoxue wenjiao jijinhui, 2001), 197.

<sup>9</sup> Lin, 72-73; Fan, 197.

<sup>10</sup> Taiwan Hoshi seiyaku kabushiki gaisha, "Kigyō taisho," October 31, 1945.

<sup>11</sup> Saishō, 141-144.

Japanese fervor leading up to World War Two -- spurred in part by American interests attempting to counteract Japan's growing influence in the Western Hemisphere -- the court ultimately ruled in favor of the plaintiff. Although Hoshi Pharmaceuticals appealed the decision, in 1938, the Peruvian government ultimately confiscated and nationalized Hoshi's holdings.<sup>12</sup> Hoshi Hajime's official biography ends with his pinning the future of his company on cultivating a "plot of land that is even larger than our nation's island of Shikoku" in Peru's Huallaga Valley.<sup>13</sup>

Hoshi's sudden death left his eldest son, Hoshi Shin'ichi, to assume the reins of the company. For the twenty-nine year old Shin'ichi, the burden of once again reviving Hoshi Pharmaceuticals was too much to handle. Born in 1926, Shin'ichi had known the company only as a financially troubled obsession of his father's, which had caused his family misery and strife.<sup>14</sup> In 1952, Shin'ichi passed the presidency of the company, as well as selling the controlling stake he inherited from his father, to the industrialist Ōtani Yonetarō (1881-1968), the founder of the New Ōtani Hotel chain.<sup>15</sup> Shin'ichi embarked on a career in letters, eventually becoming one of Japan's foremost science fiction novelists.

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<sup>12</sup> Beginning in 1935, a Peruvian citizen brought a lawsuit against the government, questioning the validity of the sale of Tulumayo to a foreign company. Amid a rising anti-Japanese fervor -- and spurred, in part by American interests attempting to counteract Japan's growing influence in the Western Hemisphere -- the court ultimately ruled in favor of the plaintiff. Although Hoshi Pharmaceuticals appealed the decision, in 1938, the Peruvian government ultimately confiscated and nationalized Hoshi's holdings. By that time, with Japan at war with the United States, Hoshi decided that it had no choice but to give in (Hoshi seiyaku kabushiki gaisha, "Peruu koku Tsurumayo chiiki jichi tosa hōkokusho," May 5, 1962, 10-29; Gootenberg, 128-132, 165-166).

<sup>13</sup> Ōyama Keisuke. *Doryoku to shinnen no sekai jin: Hoshi Hajime hyōden* (Tokyo: Kyōwa shobō, [1949] revised 1997), 272-273.

<sup>14</sup> Saishō, 143-167.

<sup>15</sup> Ibid., 143-167.

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The name of Hoshi Pharmaceuticals remains today, chastened and shorn of everything but its civilizing face as a provider of medicines and hygiene products for the public good. In 1950, the original Hoshi Business School for training chain store managers and employees became Hoshi Pharmacology University (*Hoshi yakka daigaku*), a school for the training of drug researchers and pharmacists.<sup>16</sup> As a wholly owned subsidiary of the Ōtani family's holding company, T.O.C. Corporation, Limited, the present-day Hoshi Pharmaceuticals produces a small range of dietary supplements, cosmetics, and, for nostalgia's sake, Hoshi Stomach Medicine.<sup>17</sup> Its capitalization of 75 million yen is a mere fraction of industry leaders like Takeda and Taishō, which have capitalizations of 63.5 billion yen and 29.8 billion yen, respectively.<sup>18</sup>

Hoshi Pharmaceuticals' greatest presence remains in its public image.<sup>19</sup> Shin'ichi was never able to escape the shadow of his father's company, and in 1967, he published an account of Hoshi Pharmaceuticals' involvement in the opium scandal, *Bureaucrats are Powerful; the People are Weak* (*Jinmin wa yowashi, kanri wa tsuyoshi*).<sup>20</sup> Effacing the company's involvement in opium trafficking, Shin'ichi's narrative portrays Hoshi

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<sup>16</sup> In 1941, the Hoshi Business School became the Hoshi Pharmacology School (*Hoshi yakka senmon gakkō*).

<sup>17</sup> In 1962, the company formally ended its association with cocaine production in the Huallaga Valley, which, by this time, had started to become one of the centers of the illicit cocaine trade (Hoshi seiyaku kabushiki gaisha, "Peruu koku Tsurumayo chiiki jichi tosa hōkokusho," May 5, 1962, 10-29).

<sup>18</sup> Hoshi seiyaku kabushiki gaisha <<<http://www.hoshi-ph.com/>>>; Takeda yakuhin kabushiki gaisha <<<http://www.takeda.co.jp/>>>; Taishō seiyaku kabushiki gaisha <<<http://www.taisho.co.jp/>>>.

<sup>19</sup> A quick search of the internet will reveal threads with comments such as "How could Sankyō be so evil?!" and "Poor Hoshi was bullied!"

<sup>20</sup> Hoshi Shin'ichi, *Jinmin wa yowashi, kanri wa tsuyoshi* (Tokyo: Shinchōsha, 1967, rev. ed. 2006).

Pharmaceuticals as an enlightened, "American-style" company unfairly persecuted by the corrupt, feudal interests that dominated prewar government and business circles. In contrast to Sankyō, Hoshi Pharmaceuticals appears here as a beacon of liberalism, democracy, and free trade.

Yet throughout its history, Hoshi Pharmaceuticals worked against liberalism and free trade. In a November 12, 1940 speech, when wartime Japanese ideology was attempting to disavow the West, Hoshi Hajime declared, "the essence of the company's business operations" (*jigyō keiei no seishin*), was a "rejection of the pursuit of profit based on liberalism" (*jiyūshugiteki rijūn tsuikyū o shirozokete*) in favor of the ideals of the national polity (*kokutai*).<sup>21</sup> But long before the war, the company had consistently evolved in response to global concerns about the economic and social utility of the free market. Its foundational principle of "Kindness First" put forth a cooperative model designed to overcome the booms and busts of the capitalist business cycle. Hoshi strove for complete vertical integration of its commodity chain, from harvesting its own raw materials to manufacturing medicines to distributing them in its own chain stores.

Most important, the company profited from its less than democratic connections with leading proponents of Japan's imperial and wartime expansion, who helped Hoshi become Japan's largest supplier of opium, quinine, and cocaine and also saved it from bankruptcy in the wake of the opium scandal. In a defense of the Hoshi family, the prominent postwar intellectual, Tsurumi Shunsuke, made the case that Hoshi typified Japanese capitalist development in the interwar years: "Hoshi was not a zaibatsu. It did not have the government-business ties (*seishō*) of a Mitsui or Mitsubishi. It looks very

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<sup>21</sup> Hoshi seiyaku kabushiki gaisha, *Kōki ni-sen roppyaku-nen hōshuku: sōritsu san-jū shūnen kinen taikai* (Tokyo: Shimoyamada seikei, 1940), 13.

similar to the case of Suzuki shōten, which grew rapidly after World War One, but it was an era where businesses that did not have thick ties with the government were unable to grow."<sup>22</sup> Although Hoshi may not have had the elite connections of a Mitsui or Mitsubishi, which dated back to the foundational years of the modern Japanese state, it had all it needed with the likes of Gotō Shinpei, Sugiyama Shigemaru, and later, Toyama Mitsuru. Hoshi, like other Japanese firms, relied upon "thick ties" with the government to achieve its success.

Shin'ichi's claim about the company's "American-ness" was not unfounded. His father had spent more than ten years in United States, graduated from Columbia, and was known to Gotō Shinpei as his "Amerika-jin." As an apostle of Frederick Taylor, he translated and applied the principles of scientific management to the workplace. Through "American-style" advertising and chain stores, the company helped spread -- and indeed became an emblem of -- mass consumer culture in the 1920s. These techniques of an American-style managerial capitalism spread across the globe in the early decades of the twentieth century, helping capitalists like Hoshi achieve greater efficiency and control over the uncertainties of the market.

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<sup>22</sup> Quoted in Saishō, 33. The Kobe-based trading firm Suzuki shōten began as a sugar trader with strong connections to the colonial government in Taiwan. During the rapid expansion of Japan's economy during World War One, it expanded aggressively, created many new firms, and increased its capital to 50 million yen by 1920. After the postwar economic downturn, the company sped up the pace of its expansion and incurred rapid debt. By 1923, its 65 core companies had a capitalization of 560 million yen. The economic downturn caused by the Great Kantō Earthquake, however, destroyed its finances. At the end of 1926, the group's total debt was 500 million yen, of which 326 million yen were owed to the Bank of Taiwan. In 1927, it ultimately defaulted on 67 million yen of loans. Suzuki's financial crisis triggered the 1927 economic downturn in Japan, and its rapid rise and even faster fall became a parable for the dangers of debt-financed expansion and tight government and business connections (Randall K. Morck and Masao Nakamura, "A Frog in a Well Knows Nothing of the Ocean: A History of Corporate Ownership in Japan," in *A History of Corporate Governance around the World: Family Business Groups to Professional Managers*, edited by Randall K. Morck (Chicago and London: University of Chicago Press, 2005), 402-412).

In this sense, while Hoshi can indeed be seen as a classic instance of a "Japanese-style" corporation, it evolved as part of a process in which an important form of modern managerial capitalism developed and spread in the twentieth century. In an interwar market characterized by recurrent economic and political crises, Hoshi was one among many firms that attempted to control competition in order to compete. It embodied three major aspects of successful Japanese corporations of the time, each of which, when viewed alone, is not particularly "Japanese" at all: symbiotic connections with the state; an ideology of cooperation where the "interests of capital and labor are one"; and an adaptation of global, particularly American, technologies of management.

Yet Hoshi failed while others succeeded. Despite ties with Japan's nation- and empire-building project, a cooperative business model that promised to overcome competition, and a self-proclaimed goal of spreading civilization through the sale of its medicines, profit always remained the primary motive. Hoshi Hajime first entered the medicine business because he recognized its potential for profit. Like the "Priceless" MasterCard commercials of the early 2000s, Hoshi Pharmaceuticals wanted consumers to believe that its medicines were not mere commodities but essential, even life-saving, products. In its quest for profits, Hoshi was caught trading opium, a medicine whose potential for extraordinary profit was balanced by its associations with corruption and social degeneracy. The scandal shattered the company's civilizing mission and painted its cooperative connections as conspiratorial collusion. But most important, the scandal struck at the most leveraged time in the company's history, and the financial fallout revealed how the company had built its cooperative model on questionable accounting and debt-financed overexpansion. On the brink of bankruptcy in the 1930s, the

company's cooperative model was now re-described as the need for mutual sacrifice for the sake of survival. This model fit easily in the social ideology of increasingly fascist times, but it fit just as well in the postwar years of Japan's march toward economic recovery.

The pattern set by interwar companies like Hoshi remains the corporate model in Japan today. But like the company itself, the model has been scrubbed clean of some, though not all, of its history, especially the over-leveraged financial schemes that drove Hoshi to bankruptcy.<sup>23</sup> Like the railroad tycoons of nineteenth-century America and the corporate models that they established, Hoshi Hajime created a modern capitalist enterprise in a time of few rules, many opportunities, new business techniques, and old-fashioned rapacity.<sup>24</sup> Like those same corporations, his company developed a model that endured in outline but not in detail as it was forced to change, both by law and competition. And just as the American railroads were products of their times, Hoshi Pharmaceuticals arose in a specific historical context, one that blended rapid economic growth in Japan, increasingly globalized operations, and modern American management practices. The result was modern corporate capitalism, with no “Japanese” modifier necessary.

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<sup>23</sup> See, for example, William Lazonick, *Business Organization and the Myth of the Market Economy* (Cambridge, UK: Cambridge University Press, 1991).

<sup>24</sup> Richard White, *The Transcontinentals and the Making of Modern America* (New York, NY: W.W. Norton and Company, Inc., 2011).



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