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Economic Effects of the Deconcentration Policies
in Postwar Japan

by

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[1] Introduction

The purpose of this chapter is to identify the economic effects on the Japanese economy of a series of policies called "Post-War Reforms", especially "Deconcentration Policies", which were executed in the Occupied Japan under the force and supervision of the Allied-Powers since the end of the World War II in August 1945, and to evaluate its efficacy as development policies and the transferability of experiences to other countries.

"Deconcentration Policies" we will discuss below can be divided into two types of policies.

(1). A series of governmental actions and/policies (deconcentration policies), often called "Zaibatsu Dissolution", and other policy interventions deeply connected with them. For example, (a)Zaibatsu Dissolution, which includes dissolutions of Zaibatsu Holding Companies, Dispersal of Zaibatsu holding stocks and breaking of interlocking directorships, (b)Law for the Elimination of Excessive Concentrations of Economic Power(hereafter, Law for EECEP), (c)Economic Purge, and (d) Enterprise Reconstruction and Reorganization Law, and Financial Enterprise Reconstruction and Reorganization Law.

(2). The introduction in 1947 and enforcement of Anti-Monopoly Law, and policies related with it.

There is a common understanding that type (1) policies had tremendous effects and Anti-Monopoly Law was introduced in order to maintain the effects for a long time. However, as will be discussed below, even though there are some articles (for example, article 9 which prohibits the establishment of holding company) of this character, the fundamental character is quite different and should be treated separately.

There is a world wide uprise of interests on Post-War Reforms in

Japan, especially "Economic Reforms" which include Deconcentration Policies as one of the major components. In our view, there are two types of interests.

(1). Paying attention to the industrial success of Japanese Economy up until the present, many people are interested in the following puzzles. What are the causes? How the success could be attained? What were the roles played by the government? Can we find any lessons for the developping economies? In the preceding periods there were also world wide interests on "Industrial Policy in Japan", which presupposed that it was one of the main engines of her industrial success. However, today the standard view is that its contribution, if any, is not so large and its role was that of a co-actor at large, and the main engines and mechanism are large numbers of active and competitive firms and fiercely competitive markets. Therefore, in our view, interests of this type center on the relationships between Economic Reforms and the emergence of active firms and competitive markets.

(2). Japanese Economy experienced a rapid and sustained growth at a historically uncomparable speed, which started just after the period of the Occupation and the preceding long time of War Economy. In the War period, the economy was totally, that is, production, sales, materials, prices, and investments, under the control of the government, and many firms and industries were forced to merge and reorganize, which were in combination sometimes called "Keikakuka (planification)", and also lots of production capacities were destroyed. In the postwar period, the characters of government controls were greatly changed as this was the transiton period from war economy to peace or normal economy and characterized as the time of confusion, recovery and revitalization. As just after this period the time of rapid growth came and this transiton period had not lasted for a long time, people who just faces the difficulties of tiding over as speedily and smoothly as possible the

transiton from "socialists" command economy to market economy, which is the fundamental and starting motives and impetus of this research project.

As mentioned above, the interests and recognitions of researches on "Industrial Policy of Japan" has changed greatly. As we will see below, the same changes should occur as on "Economic Reforms in Japan". Up to the present, researches on Japanese Economy of this period were conducted mainly by historians (especially economic historians) and political scientists, and in our view there is a clear tendency of accepting as correct the testimonies and memoires of those who were on the spots of "Reforms"(*). Now the various kinds of materials and evidences are available and cool and scientific discussions and assessments are possible.

(*) The same kind of things had happned in the research history of industrial policy. See, Miwa [1990] ch.11.

Therefore, the following discussion is not a survey of the preceding researches, and fundamentally different from the dominant view.

[2]. The character of the problems to be discussed.

The task of identifying and evaluating the effects of policies is almost always not easy.

Deconcentration Policies were executed in the period of the transiton, and this was the time of the recovery from the destruction and also not only the other kinds of economic reforms but also political and cultural changes happened at the same time. In such a period of great changes or torrents of changes, it is quite a difficult, almost unimaginally difficult, task to identify their effects.

Even when we limit our attention to economic sides, so many things happened in this period and the task of identification is still not easy. For example, the controls over production, materials, prices, investments, employments and financial funds were abolished step by step and totally in some fields, the production capacities and human resources which were destined to war itself and war-use production were freed and could be used to enter new markets. Also other economic reforms such as Farm Land Holding Reforms and Labor Relations Reforms (hereafter, Land-Reform and Labor-Reform, respectively) were executed.

Ideally, the task of identification can be completed by finding the discrepancy which may exist between the actual state and the virtual state without the policy actions. The difficulty lies on how to forecast the state without the policy action, that is, the states of Japanese economy, in 1955 for example, without Deconcentration Policies.

It may be a quite imaginable scenario that the traditional type of Zaibatsus could not survive the rapidly changing period even when Deconcentration Policies were not executed. Therefore, it may not be an appropriate judgement that the facts that many Zaibatsu had disappeared are due to these policies.

Readers should pay attention to the following three points.

(a). We limit the attention for identification to "policy" effects. Even if we can find the disappearance of Zaibatsu and the changes in the structures of stock holders and members and characters of boards of directors, all of them may not be due to policy actions.

(b). As our trials are to identify the effects of each policy one by one, such as Zaibatsu Dissolution, Law for EECEP, introduction of Anti-Monopoly Law, and other trials are for Land-Reform, Labor-Reform also one by one, we should pay attention to the possibility that we may not be able to calculate the appropriate assessment of the total effects of Post-War Reforms by summing up the effects of each policy

calculated separately. The fact that a series of reforms were executed at the same time in such a transition period might play an important role, and we should hold in mind the possibility of some important missing variables, such as atmospheres and/or social tension, when we try to draw some implications from the conclusions of this paper.(*)

(*) Of course, as we can not escape from such kind of limitation in any economic study, so the problem is a matter of degree.

(c). The following discussion will not proceed along with the interests of the type 2 mentioned in [1], that is, to study for lessons to tide over the difficulties of the transition period. In fact the policies were not for such a purpose, and we will not include these aspects in the standards of policy evaluation.

In addition to the difficulties in identifying the policy effects, we also face the difficulties in evaluating the identified.

As economic agents in an economic system are mutually interdependent, the effects of changes in policy variables appear in so many fields that we can not take for policy evaluation all the effects into account. As is usual, we must choose and limit our attention for evaluation before we begin our study, and show the economic variables on which our research and policy evaluation will mainly depend.

In our view, most of the preceding researches on postwar Economic Reforms do not choose or show clearly their variables for evaluation, or at least along with the choices we make in this trial. Here we explain the general characters of the way of evaluation of preceding studies, and next present our standards for evaluation.

As the postwar Deconcentration Policies began for the Zaibatsu Dissolution for themselves, all the connected policies are recognized and evaluated along with the same line.

At the beginning of the Japanese Occupation, MacArthur was instructed on U.S. policy as "you will require ... to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control."(*)

(*) "Basic Directives" dated 1945.11.3. We will return to this sentence in [4].

We can see the typical underlying view for Zaibatsu Dissolution policies in the following statement of Corwin D. Edwards (although this was expressed in 1964 for another occasion), the Head of the State-War Mission on Japanese Combines which submitted its report to the two departments in March 1946.

"A big firm has advantages over a smaller rival just because it is big. Money is power. A big firm can outbid, outspend, and outlose a small firm. It can advertise more intensively, do more intensive and extensive research, buy up inventions of others, defend its legal rights or alleged rights more thoroughly, bid higher for scarce resources, acquire the best locations and the best technicians and executives. If it overdoes its expenditures, it can absorb losses that would bankrupt a small rival."(*)

(*) Cited from Hadley[1970],p.108. Originally, in testimony at Hearings on Economic Concentration, US Senate, 1964)

So far the objectives of Deconcentration Policies were of this kind, the standards for policy evaluation should be as follows, for example.

(a). How many and what kind of Zaibatsu were listed up and examined, and how many were actually dissolved? How these dissolution decisions

were made, and what was the discriminating standard?

(b). What were the actual figures of "Dissolution", and were these figures satisfiable? For example, how the stock holding structures had changed? How about the interlocking directorships? Had the selection system for directors changed? Had the way and process of decision making of firms changed?

(c). As a symbolic and easier way to check along above(b), there are many researches and reports that count the number of purged executives (especially Zaibatsu appointee), and calculate the value of stocks dispersed through HCLC, FTC and others.

As can be easily seen, it is not almost impossible to draw, at least directly, from these studies information useful for the questions such as what were the magnitudes and characters of relations between these Deconcentration Policies and postwar economic growth in Japan. (For the detailed discussion, see below).

In addition, as Deconcentration Policies, this is the case also for Land-Reform and Labor-Reform, were executed under impressive and almost irresistible slogans of "Minnsyuka (Democratization)" and "Kinndaika (Modernization)", which in fact had the effects to prohibit or at least discourage trials to ask the desirability of these policies. Even trials to identify the effects of each policy were discouraged, and it is not too much to say that such trials were recognized as challenges to taboos.

Only recently people began to hold such interests on this period and researches started as to find some factors which might cause the rapid growth of the following period(*). The beginning of the trials with cool eyes of identification and evaluation of the relations between those policies and economic growth directly leads us to the questions to their efficacy.

(*) Although the growth rate of Japanese Economy has been quite high even before "Koudo-Seichou-ki (High Growth Era)" , most people recognized it as temporary because they were on the recovery and catch-up process. Only after 1965 the view that this rapid growth is lasting became dominant, and attentions to the causes of growth grew thereafter, however, attention went firstly to the causes of high savings ratio, the roles of industrial policy, the mechanism of technical progress, not directly to the postwar Reforms.

As an example, here I refer to Masamura[1985]. He begins the section for Zaibatsu Dissolution and Anti-Monopoly Law with the following statement.

"Zaibatsu Dissolution and policy for the Elimination of Excessive Concentration of Economic Powers had large effects on the economic system of postwar Japan, too.(p.90)"

The evaluation in the following statement deserves our attention.

"When the Occupation was over, some of the dissolved firms reunited and managers of some of ex-Ziabatsu firms formed their circles. Banks exempt from dissolution and revived trading companies ("Sogo Syosya") began to play the roles as the centers of industrial groups ("Kigyousyudan"), which subordinate many firms as "Keiretsu".

However, the Occupation Policies such as Zaibatsu Dissolution, Law of EECEP, Anti-Monopoly Law, the Economic Purge had greatly changed the industrial organization of Japan, and played the roles of changing the constitution and character of Japanese firms. These reforms destroyed the monopolistic and exclusive character of dominant firms, which formed the basic conditions for the development of competition. All of them worked as stimuli for rapid growth of Japanese economy. Moreover, in return, the high rate of growth and the speedy change of industry structures by themselves raise the barriers to revival and

reinforcement of their monopolistic and exclusive characters.(p.99)"

The important points for us to be clarified are the grounds and actual contents in Masamura[1985] of the changes in contention and characters of industrial organization and firms. On what grounds do his judgements depend? What aspects of changes does he find and think important? How important do the effects appear to him? Among a series of reforms what are most important in his judgement?

We can not find satisfactory answers to these points in Masamura[1985], and it is impossible to challenge all these questions in such a short paper. Therefore, the target to be challenged in the following sections is very limited in character.

[3]. Standards of Evaluation

We limit our attention to the policy effects in one specific industry, that is, "machinery". Therefore, our conclusions to be drawn are limited in character, and we will not claim it as to be the overall evaluation of Deconcentration Policies(*).

(*)This limitation is only to save space and energy. The same kind of trial is also applicable to the other industries, and my forecast of the results are almost the same as machinery, except for a few industries.

We select "machinery" for the following 2 reasons.

(1). The most impressive aspect of the long history of the industrial success of postwar Japan in total is the success of industries included in "machinery", that is, their productivity increases, the increases of their weight to GNP and Japan's exports. Therefore, it is necessary to investigate at first these industries when we try to evaluate the importance of the effects of Deconcentration Policies on Japan's

industrial success. Within "machinery" industry, many actors came up on the main stage successively, such as fans, sewing machines, binoculars, cameras, radio receivers, monochrome TV, bicycles, clocks and watches, motor tricycles and motor cycles, ships, passenger cars, various kinds of electrical machinery, industrial machinery etc., and the roles of the main actors have changed rapidly. (Part of the history can be seen in Table 1.)

(2). Throughout the 20-25 years until around 1970, including the era of Reforms, Japanese economy had been always suffered from foreign currency shortage(*), which strictly restricted the economic policies, not only trade policies but also monetary and fiscal policies, of the Japanese government. As imports, especially of raw materials and energies, have been fundamental for Japanese economy, this shortage and economic policies to encounter it had deeply influenced the activities of Japanese firms. For this reason, exporting industries had special value for Japan, and "machinery" is the classroom of stars in this point. It is not too much to say that, without the development and export increases of "machinery" industry, Japan had not been able to import the materials and energies which were necessary for her survival and economic development(**).

(*) The amount of Foreign Currency Reserves in 1968 was only around 2 billion US dollars.

(**) Of course we can find the exceptions. For example, cotton textiles in the early stage, and steel product in 1960s.

The main focus of our study is on the identification and evaluation of the effects of Deconcentration Policies on the successful development and remarkable performance of these industries.

Here, we should like to notice our conclusion.

Table 1

year/unit	sewing machine	fan	radio	ship (tons)	motor tricycle	binoculars	bicycle	camera	clock and watch (1,000)
1935	12301	43562	153974	174067	9837	81700	903	95326	4183
36	40924	42228	427287	274784	12557	79200	1055	154648	4864
37	53133	46918	406753	483548	15233	99500	1090	178321	5114
38	104204	43575	604462	464679	10450	45600	1080	187569	3814
39	132997	58302	740356	391679	7953	62500	950	205522	3384
40	154402	64780	852903	401866	8113	60000	1245	218659	3424
41	142317	55828	917001	466249	4503	56400	185	203011	2935
42	51129	41200	841301	547051	3721	35200	181	133854	1582
43	25573	45240	741816	1030601	2259	36100	70	57588	808
44	16047	2360	262372	2198790	1338	60000	65	29548	413
1945	2150	1240	87529	632005	686	14400	20	13082	98
46	36912	66282	672676	143860	3647	37836		24145	714
47	133949	74329	772428	83565	7432	31158		51772	1599
48	165726	72167	769730	162898	16852	47623	337	53016	2404
49	274468	95703	702327	163980	26727	97356	552	83243	3051
50	493038	118804	281602	229761	35503	115970	981	117481	2331
51	1030289	173903	399943	454149	43717	176180	987	213840	3050
52	1260293	290879	929126	627064	62262	179510	1019	357918	3803
53	1318059	434585	1391031	521759	98405	212704	1184	663484	4673

In all of these industries, competition have been fierce, and one of the main objectives of so-called "industrial policy" at the earlier stage was to limit or cool down the competition, which government officials were fond of calling "katou-kyoso (excessive competition)". As the standard view of industrial organization suggests and in fact this was the case, such states were the results of the basic conditions of these industries as the large number of firms and the low barriers to new entry. We can not find any direct links between the measures executed as Deconcentration Policies and those basic conditions favoring competition in these industries, only with rare exceptions, therefore we should search for the other factors which can explain the industrial sucess of Japan.

[4]. A brief history of Deconcentration Policies

We will not see in detail the history of Deconcentration Policies, such as what kind of measures were adopted, what was the time schedule of their execution, what kind of conflicts of interests and controversies we can find in the process, how and why the policy changes happened, as we have other studies(*) and the space is so limited.

(*) See, for example, Ministry of Finance [1981].

Here we see only from the following 3 standpoints.

- (1). To show a brief time schedule of Deconcentration Policies.
- (2). To cite a summary of symbolic numbers to show or suggest the magnitude of the policy effects.
- (3). To provide some explanations of what happened necessary for the following sections.

[4-1]. Time Schedule of Deconcentration Policies

[Historical Backgrounds]

During the the Occupation Period, there was a fundamental and complete cahnge in the objectives of Occupation Policy. We should mention and draw the attention at first to this change, which reflected the beginning of "Cold War".

1945.8.15. The End of the War.

1947.3. Truman Doctrine

1947.7. The Beginning of Marshall Plan

1952.4.28. The End of the Occupation

The Influence of the Change of the Foreign Policy of US began to be reflected clearly in their Occupation Policy in Japan in the end of 1947.

The basic objectives of the Occupation Policies before the Change is declared in "Basic Directives for Post-Surrender Military Government in Japan Proper" dated 1945.11.3., in the section titled "Democratization of Japanese Economic Institutions", that "require the Japanese to establish a public agency responsible for reorganizing Japanese business... You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other concentrations of private business control."

[Reparation Policy]

As the change in the policy objectives firstly reflected in their reparation policy, we see this first.

1945.12.6. Interim Reparation Policy--Pauly Report (Report of the United States Reparation Mission), which suggested the Immediate Program.

1947.2.18. Report on Japanese Reparations (1st. Strike Report(*)), whose

recommendation 1 is "the Committee recommends that the present reparation program in respect to plant removals be abandoned".

1947.4.4. Interim Directive Regarding Advance Transfers of Japanese Reparations

1948.2.26. 2nd. Strike Report

1948.4.26. Report on the Economic Prospects of Japan and Korea: Measures Required to Improve Them--Johnston Report (this committee is sometimes referred to as "Draper Mission"), which states that "the United States should now assist the recovery of Japan..... In our opinion, the capacity that can be spared without affecting Japan's useful peacetime productivity is not great. It is most important that the present uncertainty be removed and the reparation issue be finally settled."

1949.5.6. National Security Council Recommendations with Respect to U.S. Policy toward Japan, which states, "it should be the policy of the United States Government that current transfer of reparations under unilateral U.S. directives should be terminated."

Thus, the Change of U.S. foreign policy had reflected in their Occupation Policy quite gradually and it is said that there was profound conflicts of opinions between Washington and Tokyo.

(*) Special Committee on Japanese Reparations, War Department (in Tokyo).

[Zaibatsu Dissolution and the Law for EECPEP]

1945.11.6. Following the "Basic Directives", the establishment of the public agency responsible for reorganizing Japanese business was ordered.

1946.3. Edwards Report (Policy toward the Zaibatsu), which states, "the larger Japanese business enterprises be systematically surveyed

in order to make sure that all the zaibatsu have been identified and subjected to the program for ending zaibatsu power.(*)"

(*) Here stated also, "in this survey, the term zaibatsu should be interpreted to include any private enterprise conducted for profit, or combination of such enterprises, which, by reason of relative size in any line or the cumulative power of its position in many lines, restricts competition or impairs the opportunity for others to engage in business independently, in any important segment of business; and any individual, family, allied group, or judicial person owing or controlling such an enterprise or combination."

1946.5.12. "Policy on Excessive Concentrations of Economic Power in Japan" (known as FEC(Far Eastern Commission)-230), which declares their objective as, "the over-all objective of occupation policy in dealing with excessive concentration of economic power in Japan should be to destroy such concentrations as may now exists, and to prevent the future creation of new concentrations. Especial care should be taken to avoid the futile gesture of destroying one Zaibatsu class only to create another; a drastic change in the nature as well as the identity of the groups controlling Japanese industry and finance should therefore be effected."

1946.8. Holding Company Liquidation Commission was established and began their work. At the first occation the Big Four and Fuji Industries was designated and the number of the companies on the designation List amounted to 83 in July 1947.

1947.7. Dissolution of Trading Companies--Mitsui Trading and Mitsubishi Trading

1947.9.6. "Kauffman Report" (Report on Conditions in Japan as of

September 6, 1947), which introduced the contents of the then confidential FEC-230 and the essence of this report was to be published in "Newsweek" this December.

1947.12. Law for the Elimination of Excessive Concentration of Economic Powers was enacted. The number of the companies on the Designation List was 325 in Feb. 1948.

1948.1.6. Royall, the Secretary of the U.S. Army made a speech "On American Policy Towards Japan", which symbolically revealed their policy change, and was reflected in MacCoy(*) Statement at the Far Eastern Commission Meeting on Jan. 21.

(*) Chairman of the Far Eastern Commission and US representative.

1948.5.1. The beginning of the removal of companies from the "Designation List"

1948.5.4. The Deconcentration Review Board headed by Roy S. Campbell came to Japan, whose Initial Report was submitted to the Dept. of Army on Nov.3.

1948.12.--1950.1. The final order to 18 companies still remaining on the List, and 11 of them were ordered to reorganize.

[anti-Monopoly Law and Enterprise Reconstruction and Reorganization Law]

1946.10.19. The Japanese Diet passed "War Indemnity Special Measure Law", which in effect cancelled war indemnity payments and put almost all major corporations in Japan into the state of insolvency or near-insolvency and needed "corporate reorganization". To prevent those bankruptcies, at the same time the Enterprise Reconstruction and Reorganization Law and the Financial Institutions Reconstruction and Reorganization Law

were legislated.

Although these laws were not parts of Deconcentration Policies, GHQ began to use them and in 1947.5.19 listed "the Standards of Economic Reorganization". On the extension of this movement planned the Law for the EECEP, and there is a view that, after removing from the Designation List of Law of EECEP, some GHQ members still tried the additional reorganizations by using the Enterprise Reconstruction and Reorganization Law(*).

1947.7. anti-Monopoly Law was introduced.

(*) Uekusa[1979] suggests the tremendous importance of the additional reorganizations. However, Miyazaki et als.[1982] is in opposition. See also Ministry of Finance[1981] pp.560-567.

[4-2] A Summary Table

To fully answer the question of the economic consequences of Deconcentration Policies is almost impossible and here we simply quote the table of Hadley[1970](p.443), which summarises the actions .

[Table 2]

Holding Company Action

Outright dissolution	16
Dissolution with Reorganization	26
Reorganization without dissolution	11
untouched	30

Stock Dispersal Program--Antitrust and other

Antitrust:

HCLC	¥8.3 billion (proceeds from sale)
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FTC	¥1.3 billion (paid-up value)
Others:	
Finance Ministry (Capital Levy Tax)	¥1.7 billion (proceeds from sale)
Closed Institutions	
Liquidation Commission	¥3.1 billion (proceeds from sale)
Personnel programs	
Economic Purge	1,535 executives
Zaibatsu Appointees	40
	1,575
Reorganization of "Excessive Concentrations"	
companies split	11
Companies with Plants or Shareholding	
in other companies affected	7(*)
	18

(*) In Hadley[1970] here comes 8, but 7 is correct.

[5]. Evaluation of the Economic Effects

It is not easy to find industries where Deconcentration Policies mentioned in [4] had direct and clearly identifiable effects among the industries listed in [3], that is, "machinery".

The check points we adopted here are as follows.

(1). Did the policies increase the number of firms in each industry? If yes, did this increase contribute to strengthen the competition?

(2). Did the policies lower the barriers to new entry? If yes, did this effect work as the stimulus to fierce competition?

(3). Did the policies have any other remarkable effects favorable for competition, for example, in the speed of diffusion of technology and in

the financial availability?

(4). In addition to the factors in market structures as in (1) to (3), did the policies have changed greatly any of the basic conditions that underlie the market structures? Also, did they have important effects on the behavior of firms in these industries?

[Zaibatsu Dissolution]: The measures adopted under the title of Zaibatsu Dissolution have as common the character that their impact can be on the inter-industry relations, not on the intra-industry ones. For examples, dissolution of "Zaibatsu" holding companies, changes in the stock holding structures, changes in the way to select the managing officers, and the changes in interlocking directorships, in fact all had this character. Therefore, Zaibatsu Dissolution had not, at least greatly, contributed to the formation of competitive markets in these industries. The only possible exception, if any, is the prohibition of using 3 Zaibatsu Names (Mitsui, Mitsubishi, Sumitomo) for a short time, which might have discounted the advantages of established firms.(*)

(*) Of course, this can be only a minor point.

[Law for the Elimination of Excessive Concentration of Economic Powers]: The execution of this law had strong impacts in several industries, steel, pulp and paper, sogo-syosya (trading companies), beer brewing, for examples. However, in "machinery", shipbuilding can be the only exception, where the largest company, Mitsubishi Heavy Industries, was divided into 3. Therefore, Law for EECEP had not contributed greatly to the formation of competitive markets in "machinery", except for the possible exception of shipbuilding to which we will return soon.

[Enterprise Reconstruction and Reorganization Law]: We explained in [4] the reason why we treat the execution of this law as a part of Deconcentration Policies, and we straightly reach the conclusion that

the effects of the execution of this law is the same as Law for EECPEP.

[Economic Purge]: It is not easy to identify and evaluate the changes of managing officers caused by the Economic Purge. There is a widely held view that the Purge lowered the age of managing officers and made the constitution of firms quite active, and this effect greatly contributed the formation of competitive markets. In order to accept this view as persuasive, we must clear many checking gates, such as, whether the number of purged officials is large enough to cause the alleged effects, whether lowering the age structures of managing officers makes firms active. Our tentative judgement is also negative, as the number of purged officers are so small as was shown in [4].

As many studies, for example Sakisaka[1960] p.82, point out, consumer machinery industries such as sewing machines, cameras and bicycles were characterized with many firms and fierce competition.

For example, the number of watch and clock suppliers in April 1949 was 50 and that of bicycle suppliers was 63 in Aug. 1950(*). The number of firms manufacturing the head parts of sewing machines in 1955 was 76(**).

(*)Syowa Sanngyo-shi(History of Industries in Syowa Era)[1950] Vol.1, p.443, p.456 respectively.

(**)More than 90% of the sewing machines produced in 1955 were exported. Also more than 90 % of binoculars were exported, most of them to US, in 1955. For the detailed analysis of the binoculars industry in 1955-64, see Tsuruta[1978].

The number of firms supplying radio receivers in 1946, 1948, 1950, 1952, 1954 are 34, 71, 18, 23, 26 respectively, and market concentration ratio of top 1, 3, 10 firms in 1954 were 31.6%, 53.0%, 84.8% respectively. As for monochrome TV set, in 1954, the number of suppliers were 30, and

top 10 firms market share was 89.1%.(*)

(*)Report of the Study of the Production Structure of Radio and Communication Apparatus Industry (in Japanese), by Federation of the Associations of Machinery Industry 1956, p.15 and 24 respectively.

We mention here about the short history of shipbuilding industry. The main binding bottlenecks and restrictions for shipbuilding firms in 1940s were the fact that they could not use their production capacities by the reparation policy and most of them were assumed to be removed to outside Japan(*). Also the bottleneck of materials of production was quite severe. The steel ship building and their exports began to increase explosively in 1950s.

(*)See, for example, Sakisaka[1960], p.136-. This industry was completely freed from reparation policy in 1952.

In 1958, in completion ton base, the market shares of top 1, 3, 5, 10, 21 firms were 15.5, 31.8, 45.1, 66.7, 81.5% respectively. Although the top share was for one of the 3 sons of ex-Mitsubishi Heavy Industries, the others were ranked in 5 and 7, and without the division of Mitsubishi market shares of top 1, 3, 5 come up to 26.6, 42.9, 56.2% respectively, which still can not be classified as highly concentrated industry(*).

(*)see the figures and tables in p.198 and 202 of Sakisaka[1960].

Since 1956, the share of the Japanese shipbuilders in the world market in completion base has been the largest(*), and more than 70% were for exports in 1956.

(*)For example, 26.2% in 1956, 28.6% in 1957. See the White Paper of MITI of 1958, pp.86-89.

These are the figures for the only one exceptional case where the policy effects could be profound.

As for the strikingly impressive case of passenger cars, tremendous development began in the mid-1950s, and we can see the history of dynamic competition in this market through which some of old firms sank and new comers, such as Honda, Mazda, and Mitsubishi occupied large markets, and we can not find any kind of effects of Deconcentration Policies here (see, Table 3).

[6]. Anti-Monopoly Law

In Japan, Anti-Monopoly Law was intruduced in 1947. There are various kind and wide array of opinions about the roles played by this law and importance of its policy effects(*), however, it is enough for the purpose of this paper to mention the following 2 points.

(*) For example, in emphasizing the importance of the conflict between anti-Monopoly Law and "industrial policy", Iyori[1986], high-official of Fair Trade Commision of Japan states that "whether Japan's remarkably high rate of economic growth.... can be attributed to the maintenance of competition by means of antimonopoly policy or to skillful control and guidance through the use of industrial policy is subject to unending debate"(p.71), and this picture had been widely accepted as persuasive. However, as I wrote in the book review (Miwa[1990a]), "he overestimates the importance of the role of the government. Today many Japanese economists think that the contribution, if any, of the Government in

3
 Table 2. Japanese Passenger Car Production
 and Export Ratio

Year	Production	Export Ratio
1945		
1946		
1947	110	0.0%
1948	381	0.0%
1949	1,070	0.0%
1950	1,594	0.0%
1951	3,611	0.0%
1952	4,837	0.0%
1953	8,789	0.0%
1954	14,472	0.0%
1955	20,268	0.0%
1956	32,056	0.1%
1957	47,121	0.9%
1958	50,643	4.7%
1959	78,598	6.2%
1960	165,094	4.2%
1961	249,508	4.6%
1962	268,784	6.0%
1963	407,830	7.7%
1964	579,660	11.6%
1965	696,176	14.5%
1966	877,656	17.4%
1967	1,375,755	16.2%
1968	2,055,821	19.8%
1969	2,611,499	21.5%
1970	3,178,708	22.8%
1971	3,717,858	34.9%
1972	4,022,289	35.0%
1973	4,470,550	32.5%
1974	3,931,842	43.9%
1975	4,567,854	40.0%
<hr style="border-top: 1px dashed black;"/>		
1980	7,038,108	56.1%
<hr style="border-top: 1px dashed black;"/>		
1985	7,646,816	57.9%

attaining economic growth is indirect and rather minor"(p.95).

(1) As we mentioned in [1], this newly introduced Law was expected the role to supplement Deconcentration Policies and maintain their effects. For example, article 9 for the prohibition of establishment of holding companies and article 11 as the constraint for the stock-holdings of financial institutions. However, this aspect of the Law had not so important effects, so far our standards for evaluation explained in [3] are concerned. This conclusion is almost the same in substance as the one reached in the previous section.

(2) Fundamentally, in most cases the execution of anti-Monopoly Law, more precisely application of each article, stimulates competition within individual industry, the typical and symbolic article is the latter half of article 3 which prohibits cartels. However, by the following 2 reasons we reach the conclusion that the introduction and enforcement of this Law by itself had not greatly stimulated competition and therefore raised the performance of industries concerned, at least for the first 20 or 30 years.

(a) It needed a long time for this Law to be recognized by most Japanese people as the basic framework of market economy and acquire a seat among the core members of economic policy system in Japan. Even for those who evaluate their effects greatly, the first occasion when this Law appeared as one of the important policy instrument was in the first half of 1960s in combating with creeping inflation, often called "Administered Prices", which follows the depressed era for this Law, sometimes called "Fuyunojidai (Winter Time)"(*).

(*) In our judgement with reviewing the debates on the introduction of Tokushinnhou (Law on Temporary Measures for the Promotion of Specified Manufacturing Industries), which finally failed, in the first half of

1960s and the merger case of Shin-Nippon Steel in the second half of 1960s, the position for this Law was still very weak even at the end of 1960s.

(b) It was after and through the experiences of the flood of cartels during the period of Oil-Shock and accompanied inflation in 1973-4 that Japanese really recognized the importance of this Law and began to support it. These experiences led the Government to the revision of the Law. With this revision in 1977 the administrative fine to cartel participants was introduced, which was intended to overcome the situation that cartels had been in substance without penalty.

With the introduction of the Law, on the surface, there were changes, in our view only slight ones and in only rare cases, in the behaviors of firms, the forms of government intervention into the industry and the cooperation and relations between them. However, these changes do not suggest profound effects.

In some cases, cartels or cartel-like behaviors, often supported by the government were defended by the neutralizing government action. The symbolic case of this type can be seen in the cartel of banks on the interest rates for lendings and deposits in 1947, which was accused as the violation of the section 3 and the first case of the application of this Law. The quick response of the government is to enact a new law to exempt temporarily the application to this article to these firm behaviors(*).

(*) In fact, this law for the temporary purpose still exists even now, in 1991.

What should be reminded is that competition in the industries now in question were so severe in those days that the government tried,

sometimes in response to the requests of the majority of firms in those industries, to intervene in order to restrict market competition, often called "Katou-Kyoso (Excessive Competition)", which were not the product of Anti-Monopoly Regulation(*)).

(*) Even in the decade beginning in the second half of 1950s, cartel-like behaviors, in substance exempt from the anti-monopoly Law application, could not maintain stably for a long time. For the short history of this kind in steel and oil refining industries, see Y. Miwa[1984].

Thus, the introduction and enforcement of anti-Monopoly Law have not had great effects in strengthening competition in industries in "machinery", and therefore, not remarkably effective in improving the market performance of these industries(*)).

(*) There is a widely supported view that the original Law was weakened through revisions of several times, especially that of 1953, and that is why this Law has not been so influential. (1). Even if this is the case, our conclusion need be not changed, as the factual judgement about their effects are the same. (2). In our view, the law after 1953 revision had not been so weak and defective, and the original Law was so extreme in character in some respects.

[7]. Additional Discussions on the Remaining Points

Firstly, let us comment on the possibility of widening the reach of the conclusion drawn for the "machinery" industry.

(a) As for the effects of Zaibatsu Dissolution type policies, such as dissolution of Zaibatsu holding companies, changes in stock holding

structures, breaking of Zaibatsu interlocking directorships, changes in the way of the selections and the roles of the managing officers, the same reasoning can be applied to the other industries. Therefore, their effects are, if any, small in the industries outside of "machinery", and our conclusion can be regarded as applicable not only to "machinery" but also to the whole economy that Zaibatsu Dissolution and policies closely related to it had not played great or critical roles in stimulating competition and improving the industrial performance(*).

(*) This view is closely related to the evaluation of the roles and importance of "Kigyo-Syudan (Industrial Groups)". There is a widely held and still dominant view that Kigyo-Syudan, formed mainly in 1960s and some of them are regarded as the revivals of ex-Zaibatsu, had greatly influenced the behaviors of firms and changed the industrial organization in Japan (See Miyazaki[1976]). However, the precise and detailed study leads us to the conclusion that this view is not persuasive and even false. For a detailed criticism, see chapter 7 of Miwa[1990]. For only a brief review, see Miwa[1991].

In addition, it should be noticed also that the basic view underlying beneath the "wan-setto-syugi (one set scheme)" of Kigyo-Syudan is that firms with capital funds can enter into any of new markets. The fact that this view was accepted swiftly and has occupied the dominant position suggests that many people, especially the majority of managing officers and industrial journalists, actually have judged the heights of entry barriers not very high. Therefore, this leads us to the forecast that even if Zaibatsu was not dissolved, competition in each individual market has been very fierce.

(b) In some industries such as steel, paper and pulp, and commerce, the top share firms, such as Japan Iron and Steel, Oji Papers, Mitsui

Trading and Mitsubishi Trading, respectively, were dissolved through Deconcentration Policies. There is a widely accepted view that these dissolutions directly and tremendously strengthened the competition in each industry, and this strengthened competition diffused to the other industries and made the Japanese economy in the whole much competitive. As for the first half, it is not easy to evaluate the persuasiveness of the view, however, fortunately it is not necessary to draw a decisive conclusion here(*).

(*) As a supporting view, see Kosai[1986]. My judgement drawn from the study of the competition in plant building behaviors of steel firms in 1950s and 60s is that the effects were rather slight or not so great at least. See, chapter 9 of Miwa[1990].

What should be emphasized here is that the persuasiveness of the second half of the view is crucial for the present study, and there is no evidence to support the view and we can not find any direct link which helped the diffusion. Therefore, the number of industries influenced by Deconcentration Policies are so small, if any, and at least for the industries in "machinery", we can not recognize these diffused influences as one of the main factors stimulating the competition.

Secondly, let us comment on the relation between Deconcentration Policies and the Separation of ownership and management in Japanese Firms.

There is a view that Deconcentration Policies accelerated the tendency of separating management from ownership in Japanese firms, which is one of the peculiarities of Japanese firms at the present, make them aggressively competitive and possible to pursue their long run objectives(*).

(*) For example, see Tamaki[1976], stating, "I think that Zaibatsu Dissolution played a kind of revolutionary role. Of course, it was neither political nor social revolution. It had functioned objectively as "managerial revolution"..."(p.48).

However, there is a conflicting view about the tendency. Okazaki[1991] asserts that in comparison with non-Zaibatsu firms in the prewar era, the managements in Zaibatsu firms were already rather separated from their ownerships.

It is not necessary for us here to discuss the persuasiveness of this view(*). We only need pay attention to the following facts. (a) Most of big firms at the present, especially in the field of "machinery", are not the firms whose stock holding structures and interlocking directorships were influenced by Zaibatsu Dissolution. (b) We can not find the evidences supporting that the managements in non-ex-Zaibatsu big firms are not so separated from the ownerships as ex-Zaibatsu firms. Therefore, we can reach the forecast that even without the Zaibatsu Dissolution the stock holding structures and the degree of the separation of ownership and management are not greatly different from the present situation.

(*) We do not accept the view as persuasive. We should investigate beforehand at least the following questions. Why such separations have occurred? In fact, are they separated? Why separation increases competition? Why separation makes the managers pursue the long run objectives?

[8]. Concluding Remarks

We will not repeat the conclusions in detail here. We reached the answer in the negative to the question that a series of Deconcentration Policies had played major roles in the formation of competitive industrial organization in Japan, which had been one of the main engines of her rapid economic growth.

As I mentioned in [2] and [3], this conclusion does not mean that those policies were failures and the energies devoted to them were in waste. Also it is apparently incorrect to answer in the negative without reservation, when asked "Had those policies no effects?"

Holding in mind that there have been the following two tendencies among the preceding researches, our conclusions should be seen as complementary with them and do not situate on the opposite position.

(a). Most of the preceding researches lack in the spirits to identify and evaluate the policy effects by themselves. There had been a strong tendency to assert, quite often without trying own evaluation, the revolutionary impact of postwar Reforms in total, which contain not only Economic Reforms such as Deconcentration Policies, Land-Reform, Labor-Reform, but also changes in the fields of politics, culture, education and etc.

(b). Some of the preceding researches try to find and pick up the actual effects of the policies, quite often without evaluation(*).

(*) See, for example, Kosai[1989].

We should like to emphasize at the end of this chapter that we can not evaluate the Deconcentration Policies as the decisively effective weapons in the formation of competitive industrial organization, which have been one of the main engines of the rapid growth of postwar Japan. What were possible for those policies are at best to assist the main actors as co-actors, or cheer up the football players as spectators and

groundkeepers.

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