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An Introduction to Japan's Economy and Industry: A Brief History and Three Misconceptions

Firms and Industrial Organization in Japan (1)

by

Yoshiro Miwa
The University of Tokyo

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Yoshiro Miwa
University of Tokyo

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Yoshiro Miwa
Professor of Economics
The University of Tokyo

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[Any comment, advice, suggestion, and question is very welcome. But, please not quote.]

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Chapter 1. An Introduction to Japan's Economy and Industry: A Brief History and Three Misconceptions

1-1. A Brief Overview of Japan's Postwar Economic History

Books and talks about the Japanese economy abound, but only a few provide a good introductory overview. It is partly because interest in Japan's economy has intensified only in the seventies and onward, especially in the eighties, after its industrial success became so well known. Furthermore, the interest has been strongly backed up by an exotic taste and a long-standing preoccupation at home and abroad that Japan has been and should be different from western counties. Thus, strong demand for the Japan-is-different-view has called upon its supply by those who had been studied it with the same type of interest. As will be shown below, there are so many stylized facts on Japan's economy, most of which are so vague and ill-defined, supported with so little firm empirical grounds. Section 1-1 is for an overview of Japan's economy and industry in the half century after the end of World War II in 1945, and 1-2 is for comments on three basic misconceptions of Japan's economy.

As shown in Table 1-1 and 1-2, in 1990 Japan's GNP (Gross National Product) is more than the half of that of US and larger than that of other G7 countries, and per capita income is the highest. In 1980 the situation was almost the same. Even in 1970, just on the half way of the postwar time, its GNP was larger than G7 countries other than US, and per capita was catching up that of European countries. In 1960, however, Japan's GDP was smaller than 1/10 that of US and slightly larger than that of Italy and Canada. Its per capita GDP was the smallest, nearly 1/3 that of UK, Germany, and France.

-----Table 1-1, Table 1-2 -----

Though Japanese per capita income grew at the highest speed among G7 countries since 1973[1], its growth rate was much higher in the High-Growth era (1951-1973). Table 1-3 shows the five year average real growth rate of GNP in 1945-80.

----Table 1-3 -------

Postwar Japanese economy has grown at a remarkably rapid speed, but it also grew rapidly in the prewar period. For instance, between 1913-29, per capita real GDP increased 46 percent in Japan, while it was 30 percent in US, the second fastest growing country among G7.[2]
As shown in Fig.1-1, it was in 1957 when per capita real income exceeded the prewar peak in 1939, and total GNP in 1954.[3]

-----Fig 1-1 -----

As shown symbolically in table 1-4, Japan's industrial success is characterized as that of machinery industries. Its ratio to total export in 1970 was 46.3 percent, while 25.3 percent in 1960 and 10.5 percent in 1950.

----Table 1-4 -----

Rapid growth of machinery industries began in the prewar period, and its ratio to total export in 1940 was already 13.0 percent. As shown in Table 1-5, many items in machinery once marked the production peak in prewar period, and after the interval of wartime and recovery, followed the

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[1] The growth rate of real GDP per head of pupulation (annual average compound growth rate) in 1973-89 in Japan was 3.1 percent; the firgure was 2.6 percent for Italy, the second fastest growing country among G7. The figure was 8.0 percent in 1950-73 in Japan, and 5.0 percent in Italy, the second fastest. See Maddison[1991, p.49], Table 3.1.

[2] Source: Maddison[1991], Table A.7 and Table B.3.

[3] So, the government's Economic White Paper in 1956 declares, "We are no longer in the postwar period." See 2-2 below.

growth process. Within machinery, different actors came upon the main stage successively, (a) starting with electric fans, sewing machines and binoculars, (b) then cameras, radio receivers, monochrome TVs, and bicycles, clocks and watches, (c) or motor cycles and three-wheeled vehicles, ships, (d) or passenger cars, various kinds of electrical machinery and industrial machinery. The roles played by these main actors changed rapidly from scene to scene.

-----Table 1-5 -----

The history of passenger car industry represents the industrial success of machinery.[4] As shown in Table 1-6, in 1955 when Toyota launched their first true passenger car "Crown," total production in Japan was only 20,000. It grew to nearly 700,000 in ten years, exceeded 3,000,000 in 15 years, and in 1971 more than one million cars were exported.[5] As shown in chapter 4, the basic features of today's car manufacturing industry were formed before 1970.

----- Table 1-6 -----

Thus, for the study of both the economic growth as a whole and the industrial success, the development process, especially of machinery industries, by 1970 is worth attention, for which, however, the conventional view is totally wrong.

1-2. Three Misconceptions of the Japanese Economy

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[4] The case of shipbuilding is another. Soon after freed from the restriction of reparations policy, exports increased explosively, and since 1956, Japanese shipbuilders have held the largest share in the world market, and in 1956 more than 70 percent completed tonnage exported. See Miwa[1993, pp.143-44].

[5] For the details of this industry, see chapter 4.

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Talks on today's Japanese economy are full of misconceptions. Of most, I will show below what facts are, and why and how they are misconceptions. In this section, I point out three basic misconceptions and two supplementary ones as the basis and guide to understand today's economy correctly. For illustration, I contrast a stylized misconception, denoted [Misc.], with the fact, [Fact.].

[Misc. I]: Japanese economy is dominated by large firms.
[Fact. I]: Japanese economy is dominated by small and medium-sized firms (hereafter, SMEs).

The first misconception is composed of three parts, from I-1, to I-3.
[Misc. I-1]: Each large firm is really gigantic.
[Fact. I-1]: Each large firm is rather slim.

In discussing Japanese firms and industry, most readers have in mind as their representative such firms as Toyota, Nissan, and Honda in automobile industry and NEC, Hitachi, and SONY in electronics industry. Some may have the image that such large firms like Toyota, and their production system which is famous as "Just-in-time-(Toyota-)production-system" or "kanban-system," cover most part of the Japanese economy. However, a comparison with large Japanese firms and their American and European counterparts reveals that Japanese firms are rather slim and have far fewer employees in relation to sales.[6] Table 1-7 gives some examples. For instance, in 1991 Toyota's annual sales amount to some 1/2 that of General Mortors and 1.3 times that of Volkswagen, but it employees (72 thousand) less than 1/10 the number of workers of GM (751 thousand) and less than 1/3 that of Volkswagen (266 thousand).

------ Table 1-7 -------

[6] For the same view, see Komiya[1990, p.174].

[Misc. I-2]: Large firms occupy the dominant portion of the Japanese economy.

[Fact. I-2]: SMEs occupy the dominant portion of the Japanese economy.

Most of the Japanese firms are small, most of the Japanese workers are employed by SMEs, and more than the half of value added are produced by them. Such dominance of SMEs in Japan has a long history, and their share has not changed at least for these 30-40 years.[7] The total number of establishments in the whole private sector of Japan (not including agriculture and fishery) is 6.5 million in 1986, and 99.3 percent of them are SMEs. Private sector employees total 49 million, and 80.6 percent of them are in SMEs. In the manufacturing sector, we find almost the same picture: there are 874,000 manufacturing establishments in 1986, and 99.5 percent of them are SMEs. Of 13.3 million manufacturing employees, 74.4 percent in SMEs. Corresponding figures for the manufacturing sector in 1957 are 99.6 percent and 72.3 percent, which suggest the stable predominance of SMEs. Throughout the postwar decades, more than 55 percent of the value-added has been produced in SMEs, and less than 45 percent in large firms.[8]

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[7] This was recognized by Patrick and Rohlen[1987, p.331]: "All too frequently big business has dominated popular perceptions of the Japanese economy. Large firms are deemed to have powered Japan's growth through their successes in generating output, raising productivity, absorbing and creating innovations through large-scale R&D, and creating and developing the 'Japanese management system' of industrial relations, internal decision making, and close intragroup affiliations....small enterprise is the economic, political, and social heart and backbone of Japan. In particular, small-scale family enterprises have long been and continue to be a large and dynamic element in the political economy of Japan."

[8] For the details of these figures, see the tables in the appendix of Chusho Kigyo Hakusho (White Pater on Small and Medium Enterprises in Japan, annual; hereafter, SME White Paper). Here I use the 1965 and 1991 editions. These figures are made from "Census of Establishments" and "Census of Manufacturing." The standard definition of SMEs in Japan derives from Article 2 of the Small and Medium Enterprise Basic Law enacted in 1963, and depends on the type of industry. In manufacturing, mining, etc., it includes enterprises with ¥100 million or less in paid-in capital, or 300 or fewer employees. Figures are establishment-based, not company-based (e.g., a company with a head office and five factories is counted as six in establishment-based statistics, but one in company-based statistics). The total number of large firms in the manufacturing sector in 1986 was 3,739 in the establishment base and 3,263 in the company base. Also, the number of firms with more than 1,000 employees was 679 in the establishment base and 673 in the company base. Note that these small differences between the corresponding figures do not suggest the unimportance of the choice of using establishment-based data instead of company-based data.

[Misc. I-3]: Each large firm or/and large firms as a group subordinate many SMEs under keiretsu relationship and exploit them. Therefore, their actual presence and power is much larger than their size suggests.
[Fact. I-3]: The profit rate of SMEs has been much higher than that of large firms, and the number of SMEs has constantly increased. (See Table 2-1, and Table 3-1.) It implies that there were neither such subordination nor exploitation even in the heyday of the dual-structure-view, that is, in 1950s and 60s, and that many new entrants have found the business promising.

This point is the central issue in chapters 2 and 3. Focus centers on the dual-structure-view, and two propositions follow the discussion in chapter 3: (1) a wide gap has existed between the image and reality of SMEs since 1950s; (2) the image of SMEs has changed more radically than the reality.

Thus, the position of the large firms in Japan's economy is not so remarkable, which that of the largest firms symbolically illustrates. In 1984, the largest 100 firms accounted for 20.7 percent of the total assets of the Japanese private non-financial sector. There has been a weak downward trend since 1967 when the percentage was 25.6 percent.[9] When the subsidiaries of these 100 firms (those with a shareholding of more than 50 percent) are included, the percentage increases to 24.8 percent in 1984. Corresponding figure in manufacturing is 33.0 percent in 1984, and there also has been a downward trend since 1967 when it was 37.2 percent.[10] As shown in Scherer and Ross[1990, p.63, Table 3.3], top 10 and top 20 leading company employment as a percent of total industrial employment in Japan are

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[9] Data from Wagakunini okeru Keizairyoku shuchuno Jittaini tsuite [A Survey of Concentration of Economic Power in Japan], Fair Trade Commission in Japan, 16 Sept. 1986. In 1967, a comparable figure was available for the first time. Corresponding data for capital stock suggests that the downward trend began at least in 1963. This data shows the concentration level in 1953 was at the same level as that in 1971.

[10] In US the percentage is higher and there has been a upward trend, as shown in Scherer and Ross[1990, p.63], Figure 3.1. Upward trend more clearly reveals in UK. See Hannah[1983, p.92], Figure 7.1, though with net output data.

7.3 percent and 9.9 percent. They are remarkably lower than other industrial nations, 13.1 percent and 18.6 percent in US, for instance, which is the second lowest in 12 countries in the Table.

[Misc. II]: There are small number (say, six) of kigyo shudan (corporate groups). Member firms of each group form a tight organization and take concerted actions as if each member is a department. A large bank is at the core of each group and has a close relationship, called Mainbank relationship, with other members. Corporate groups dominate the Japanese economy.

[Fact. II]: Whatever definition is adopted for "corporate group,"[11] the number is not so small as six. None of them was so tightly connected, take such concerted actions, and make group-type management decisions, even in the heyday of the corporate-group-view in 1960s. The role of Mainbank is too exaggerated. When the number of groups in count increases, the number of included firms increases, however, it signifies nothing.

The second misconception is rather complicated, and composed of seven parts, from II-1 to II-7, each of which is quite ill-defined and vague. Part II of this volume is entirely devoted to the analysis and an anatomy of this misconception. For the details, see the corresponding parts.

[Misc. II-1]: The number "six" is of critical importance, since "Six Major Industrial Groups" represent and dominate the Japanese economy. They are the descendants of the prewar zaibatsu, therefore "six" has historically firm ground.

[Fact. II-1]: Only three of "Six Major Corporate Groups," i.e., Mitsui, Mitsubishi, and Sumitomo, are usually regarded to be the ex-zaibatsu type. The other three have no such historical background.

See the second part of section 7-2 below.

[Misc. II-2]: Shacho-kai (the presidents' meeting) functions as the headquarter of each group.

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[11] On the definition of "corporate group," see the first part of section 7-2.

[Fact. II-2]: No evidence is available for detailed examination of their function, however, they are said to gather only once a month for two hours. The common sense view is that one hour is for lunch and general conversation and one hour is form some invited lecture. The average number of member firms in each group is 32, ranging from 20 to 47, in 1990, which seems to be too large for complicated business talks. The year of establishment ranges from 1951 to 1978, on average 1963, 18 years after the end of World War II.

See chapter 7, especially Table 7-1.

[Misc. II-3]: There are six large banks each of which is at the core of each major corporate group, and they dominate capital market in Japan.

[Fact. II-3]: There have been many financial institutions in Japan. In 1963, for instance, there were 13 city banks (including the alleged six large banks), 65 local banks, 7 trust banks, 3 long-term credit banks, etc., and 13 city banks in total occupied 41.8 percent of the total assets of private financial institutions.

See the last part of Introduction to Part II and chapter 5.

[Misc. II-4]: In Japan, each firm has its Mainbank, which monitors the firm as a representative of other lenders, and plays a central role when the borrower falls into a state of insolvency, especially for the rescue.

[Fact. II-4]: There are neither clear definition of Mainbank nor hard evidence for Mainbank functions, therefore no way for debates.

Pay attention to what one is talking about. And read the concluding remarks of chapter 6 and its Appendix, whatever your definition of Mainbank is.

[Misc. II-5]: Each large bank functions as the core of a corporate group, and subordinate other members with keiretsu relationship through loans, stockholding, and dispatched directors.

[Fact. II-5]: A large firm usually borrows less than 20 percent of the total from one bank (see, for instance, Table 6-5 and 6-6), and borrows from many other financial institutions competing with a "Mainbank." Anti-monopoly law limits shareholding by a bank at the level of 5 percent of

each firm, and well-run firm usually has no directors who are under the control of and behave as a monitoring agent of outside stakeholder such as "Mainbank."

For details, see chapters 6 and 7.

[Misc. II-6]: "Six Major Corporate Groups" dominate the Japanese economy.

[Fact. II-6]: Their presence is too exaggerated.

Taking Shacho-kai members as the definition of corporate group, their position in the Japanese economy in 1990, excluding banks and insurance companies, is 13.6 percent in total assets, 15.2 percent in sales, 13.7 percent in recurring profit, and 4.1 percent in employment. The number of employees of all member firms in three ex-zaibatsu type groups, that is, Mitsui, Mitsubishi, and Sumitomo, is 637 thousand (see Tables 7-1 and 7-2), which is smaller than that of General Motors, 751 thousand as shown in Table 1-7. Note that to sum individual firms' figures is hardly justifiable as shown in chapter 7.

[Misc. II-7]: Such "Japanese system" as corporate groups and Mainbank relationship are the secret of Japan's industrial success.

[Fact. II-7]: Their importance is too exaggerated.

Even when the conventional view of corporate groups and Mainbank is true, their contribution to Japan's industrial success is still an open question. Note that they at least generate "distortions" in the economy. Japan's industrial success is so remarkable that many tend to search for something peculiar and make illogical conclusions, ignorant of the post hoc, ergo propter hoc fallacy. Never forget the possibility of an "instead of" type answer when a reader accepts a "because of" type answer.

[Misc. III]: The Japanese government has had a strong power to intervene the private sector. It used constantly the power under the name of "industrial policy," which has been one of the main engines of its industrial success.

[Fact. III]: It is a matter of definition whether the Japanese government has had a strong power for intervention. It rarely used, however, the

power, if any, and the net contribution of "industrial policy" to Japan's industrial success is negligible, if any.

The third misconception is composed of six parts, from III-1 to III-6. Part III of this volume is entirely devoted to Industrial Policy where topics related to this misconception are examined. For the details, see the corresponding parts. Note that the effectiveness of "industrial policy" is not a black-and-white affair, but a "grey" matter to varying degrees.

[Misc. III-1]: Japan is a bureaucratized country, and has a big government.

[Fact. III-1]: Whether Japan is bureaucratized is a matter of definition, but the presence of its government is rather small both in the scale of budget and in the number of per capita public sector employees.

As Pempel and Muramatsu[1993, p.20] states, "despite the fact that Japan is often thought of as a bureaucratized country, it actually has fewer public sector employees per capita than most other major industrialized countries. ..., government employees represent approximately 15-20 per cent of the total employment of the United States, France, Germany, and Britain; in Japan the figure is only 7.9 per cent."[12] Furthermore, as a result of a series of administrative reforms, "there has been almost no substantial growth in the number of Japan's national civil servants over the last three decades."[13] It also points out that Japan maintains "the lowest cost government among the industrialized democracies as a per cent of GNP" (p.34). The ratio of public expenditure/GDP in Japan is 32.4 percent in 1990; the figure is 36.1 percent in US, 49.9 percent in France, 46.0 percent in Germany, and 42.1 percent in UK.[14]

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[12] Figures in 1990 are 15.5 percent in US, 22.6 percent in France, 15.2 percent in Germany, 19.1 percent in UK, and 7.9 percent in Japan. See Table 1 of Pempel and Muramatsu[1993, p.43] whose source is OECD report, Public management Development, Annex, 1991, p.74.

[13] It continues: "At the same time, there has been a substantial devolution of activities to local government levels. The number of local civil servants increased from about 2.94 million in 1975 to 3.22 million in 1990."

[14] OECD, Public Management, 1993, p.352. However, the figure for US is in 1989.

[Misc. III-2]: The Japanese government selects a group of industries of strategic importance, for each of which it organizes a division or an institution in charge. Thus, it carries out the "targeting policies."
[Fact. III-2]: Under the Japanese administration system since Meiji Era, in Japan, almost every industry has a counterpart in government -- such as the steel industry section of MITI (Ministry of International Trade and Industry) and the Securities Bureau of MOF (Ministry of Finance) -- which devotes all its efforts to protecting, encouraging, and supporting the firms in that industry.

Therefore, almost all industries are systematically and continuously protected and supported by the government. The problem comes from the simple fact that nobody can protect and subsidize everybody. It is hard to carry out "targeting policies," since they provoke strong objection of government sections and industries which are not "targeted." Moreover, when the Small and Medium-sized Enterprise Agency (hereafter, SMEA), for instance, was created for SMEs, there are so many SMEs, and their SME policy has had to be indiscriminate and thin, as shown in chapter 3.
[Misc. III-3]: The Japanese government, like one in socialist countries in 1960s, has a power to intervene the private sector freely and achieve almost everything it wants.
[Fact. III-3]: In postwar Japan, the government has never had so strong power. Moreover, it lost the power step by step by a series of "liberalization," and trials to strengthen it have almost always failed. Today, like in other developed countries, it has strong power in some "regulated industries" such as energy, transportation, communication, financial intermediation, and agriculture. However, in other industries, including most of manufacturing, the power is strictly limited.

For instance, pressure to open the Japanese market mounted sharply toward the end of 1950s.[15] In June 1960, the Cabinet decided on a "Trade

[15] Ever since its entry into GATT in 1955, Japan had been an Article 12 country (a country permitted to impose import restrictions for balance of payments reasons). See Nakakita[1993, p.346].

and Capital Liberalization Plan," and "Japan's import liberalization greatly expanded in the first half of the 1960s" (Nakakita[1993, p.349]). On the process of liberalization, the government, symbolically MITI, provoked the "New-Industrial-Order-Debate" and tried in vain to enact the Special Industries Law.[16]

[Misc. III-4]: The government could and did make the maximum use of their power.

[Fact. III-4]: The government neither could nor did make the maximum use of the power.

This point is symbolically shown in chapter 10, concerning with the Petroleum Industry Law. In petroleum refining industry the Law permits the government to intervene individual firm's decision in output, pricing, and investment. In the so-called Idemitsu Incident in 1963, MITI officials and the Chairman of the Petroleum Council tried Idemitsu to cooperate in output coordination, but Idemitsu refused. The process suggests four points: even when the government is provided with strong "powers," "autonomous coordination" is normally chosen as the basic approach; only when "autonomous" coordination does not function well does government participation commence; in order for government participation to achieve its goals, active cooperation by the relevant firms is essential; even when the government uses its power to participate in coordination, it is not easy to actually attain its goals.

[Misc. III-5]: The government has a capability to beat the market in selecting industries and targeting resources of the economy to them.

[Fact. III-5]: No evidence has ever been shown for this point.

In Japan, and among Japanologists, such type of argument, often called a "signalling effect" view or a "cowbell effect" view, is quite popular. The same type of magnificent capability is assumed on the government in selecting industries for "targeting policy" and in selecting SMEs

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[16] The law is officially titled the Law on Extraordinary Measures for the Promotion of Specified manufacturing Industries. For the Law and the Debate, see Tsuruta[1988, pp.63-70]. For the historical background, see chapter 8 of this volume.

for SME policy, and on Mainbanks in selecting borrowing firms. Note that it is almost equivalent to the view that the centralization of the economy functions well and improves efficiency, and is close to the "Japan-Inc.-view."[17] It is at least still open to careful investigation, especially with a series of collapse of socialist economies. Also note that in Japan strongly regulated industries are notorious for their bad performance.[18]

[Misc. III-6]: Such government policies are the main engine of Japan's industrial success.

[Fact. III-6]: No evidence has ever been provided, and their contribution is at least too exaggerated.

When the conventional view of the government were true, we should begin careful investigation on their net contribution to Japan's industrial success. Note that they generate "distortions" in the economy, and that the question is not whether they had positive impact but whether the benefit covered the cost. Again, Japan's industrial success is so remarkable that many tend to search for something peculiar and make illogical conclusions, ignorant of the post hoc, ergo propter hoc fallacy. Never forget the possibility of an "instead of" type answer when a reader accepts a "because of" type one.

Two Supplementary Misconceptions

[Misc. IV]: In Japan, all trade relations have long-term character and exclusive, and therefore it is hard to begin business with new partners and in new markets. It applies most clearly to foreign-origined firms.

[Fact. IV]: Although it depends on the definition, it is probably true that trade relations in many fields have long-term character. However, usually such relationships are not strongly exclusive. In fact, there have been so

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[17] See, for instance, the fifth comment in section 6-6 and attached note 74.

[18] For a critical review of an example of strictly regulated industries, see Miwa[1993] on the recent financial administration reform in Japan.

many new entries and competitive markets in Japan, although, as in other countries, all entries have not necessarily succeeded. Even if it is hard for foreign-origined firms to succeed in Japan, it cannot be the main reason.

Symbolically many talk about Kyoryoku-kai (cooperative association of first-tier suppliers in Japan's automobile industry), of which Kyoho-kai of Toyota is a notable example, on the misconception that each Kyoryoku-kai is exclusive. As shown in the second part of section 4-4, even of 162 Nissan's Kyoryoku-kai members 45 also belong to Toyota's Kyoho-kai in 1987.[19] By pursuing non-exclusive relationship, they avoid the cost from securing monopolistic position for partners. On this point, see chapter 4 and Part IV.

[Misc. V]: Most Japanese large firms are controlled by a group of directors and managers who are relatively independent from shareholders. Their position is secured by cross holdings (mochiai) and/or group holdings (e.g., among "corporate group" members) of stocks. Those so-called Antei-kabunushi (stable and friendly stockholders). Antei-kabunushi in total hold the majority of stocks, and have strong loyalty to the present body of directors. Thus, the power of shareholders in a Japanese firm are weak, and "capitalism" in Japan is different from that in western countries. However, after the collapse of "Bubble economy" in recent years, it is approaching to the western standard, since cross-holdings are diminishing.

[Fact. V]: Though there remains a problem of definition, especially of "control," many Japanese large firms are controlled by a group of directors. It is because not of cross holdings but of the mechanism of organization. Antei-kabunushi are still stockholders and choose to support the present directors, and whether their "power" is weak is also a problem of definition. Whether Japanese "capitalism" is different is another question, and whether cross-holdings are diminishing is the other.

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[19] For the list of such firms, see note 53 of chapter 4.

Many hold this misconception in spite of its extreme ambiguity.[20] For the details, see Part IV. Note that Antei-kabunushi are still stockholders and no change has occurred in their legal position. Since they are usually large stockholders, once Antei-kabunushi decide to behave collusively they can easily "control" the firm's decision making, and, for instance, dismiss the present body of directors. The fact we observe no case of such collective action suggests that Antei-kabunushi choose to support them because it is profitable. The power of directors comes first, and Antei-kabunushi are selected because they are supposed to be friendly to them. Once they become or appear to be noisy the directors change the selection. Cross holdings and group holdings are only a part of a result of such voluntary choice. Whether the mechanism of organization which gives the power to the body of directors is peculiar to Japan is another question. Note that Alchian and Demsetz[1972, p.789] states on the significance of stockholders' power in the American corporation: "instead of thinking of shareholders as joint owners, we can think of them as investors, like bondholders, except that the stockholders are more optimistic than bondholders about the enterprise prospects."[21] Whether cross shareholdings are diminishing is not apparent.

Thereby, two recommendations follow. First, try hard to dispense with technical jargons related with the Japan-is-different-view in understanding and explaining the Japanese economy, such as the dual structure, keiretsu,

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[20] Probably I should use "because of," instead of "in spite of."

[21] Read carefully a part of an Financial Times (London) article, 9 Nov. 1993, with a title, "Now's the time to buy German": "The key to opening successful negotiations is to understand the mentality of the seller...this is likely to be very different from that of the typical buyer, an Anglo-American manager working for a stock-market listed company./ The most important thing to know is that money is not everything for the owner of a German private company...it can be an insult to try to persuade him to talk by promising an excellent price,.../ Loyalty to the company he has built up over decades, to the community in which it is based and in which he lives and to the workforce are likely to be more important./ Any proposal with an opportunistic, asset-stripping flavour is likely to be given short shrift....the owner will feel the company is likely to be destroyed, with disastrous consequences for his standing in the local community."

corporate group, Mainbank, shitauke(subcontracting), and industrial policy. Second, try to find not only the difference but also the similarity of the Japanese economy with other developed economies.

Table 1-1 GDP at Current Prices in Group 7 Countries (US $ billion)

	Japan	US	UK	Germany	France	Italy	Canada
1990	2,932	5,522	983	1,496	1,195	1,095	572
1980	1,036	2,626	524	821	656	396	253
1970	197	974	120	187	149	94	84
1960	43	504	72	73	62	35	38

Source: Comparative Economic and Financial Statistics, annual, Bank of Japan.

Table 1-2 Per Capita GDP in Group 7 Countries (US $ 100)

	Japan	US	UK	Germany	France	Italy	Canada
1990	237	221	171	237	211	190	215
1980	89	115	94	133	122	70	106
1970	19	47	22	31	29	17	39
1960	5	28	14	14	14	7	21

Source: Comparative Economic and Financial Statistics, annual, Bank of Japan.

Table 1-3 Real GNP Growth Rate in Japan: 1945-80
(five year average; in percent)

	1945-50	1950-55	1955-60	1960-65	1965-70	1970-75	1975-80
Growth rate	9.4	10.9	8.7	9.7	12.2	5.1	5.6

Source: Adopted from Kosai [1981, p. 2], Table 1.

Table 1-4 Export Component Ratios of Japan: 1900-1990 (in percent)

	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990
Marine products	1.8	1.6	0.9	2.6	2.9	3.6	3.2	1.6	0.5	0.3
Tea	4.4	3.3	0.9	0.5	0.7	0.6	0.2	0.0	0.0	0.0
Coal	9.8	3.4	2.3	1.5	0.2	0.0	0.0	0.0	0.0	0.0
Copper	6.3	4.6	0.7	1.5	0.3	0.0	0.0	0.0	0.0	0.0
Cotton yarn	10.3	9.8	7.8	1.0	1.6	2.1	1.3	0.1	0.0	0.0
Cotton fabric	2.8	4.5	17.2	18.5	10.9	24.8	8.6	1.0	0.3	0.0
Silk yarn	21.8	28.4	19.6	28.4	12.2	4.7	2.2	0.0	0.0	0.0
Silk fabric	9.1	7.2	8.1	4.5	1.0	2.7	1.3	0.1	0.0	0.0
Non-cellulosic fibre fabric	-	-	-	2.4	3.6	6.0	5.3	3.5	1.4	0.7
Pottery	1.2	1.2	1.6	1.8	1.7	2.2	1.7	0.7	0.3	0.2
Cement	0.1	0.3	0.5	0.7	0.4	0.7	0.6	0.2	0.2	0.1
Machinery	0.0	0.9	2.6	1.4	13.0	10.5	25.3	46.3	46.4	75.0
(Ships)	0.1	0.1	0.8	0.4	1.0	3.2	7.1	7.3	2.7	1.9
Steel	-	-	0.7	0.6	-	8.7	9.6	14.7	8.8	4.4
Others	32.4	34.8	37.1	34.6	51.5	33.4	40.7	31.8	42.1	19.3

Source: Adopted from Nakamura [1993, p. 43], Table 16.

Table 1-5 Production of Selected Goods, 1935-53

year/unit	Sewing machines	Electric fans	Radios	Ships (tons)	Three-wheel automobiles	binoculars	Bicycles	Cameras	Clocks and watches
1935	12, 301	43, 562	153, 974	174, 067	9, 837	81, 700	903, 000	95, 326	4183, 000
36	40, 924	42, 228	427, 287	274, 784	12, 557	79, 200	1055, 000	154, 648	4864, 000
37	53, 133	46, 918	406, 753	483, 548	15, 233	99, 500	1090, 000	178, 321	5114, 000
38	104, 204	43, 575	604, 463	464, 679	10, 450	45, 600	1080, 000	187, 569	3814, 000
39	132, 997	58, 302	740, 356	391, 679	7, 953	62, 500	950, 000	205, 522	3384, 000
40	154, 402	64, 780	852, 903	401, 866	8, 113	60, 000	1245, 000	218, 659	3424, 000
41	142, 317	55, 828	917, 001	466, 249	4, 503	56, 400	185, 000	203, 011	2935, 000
42	51, 129	41, 200	841, 301	547, 051	3, 721	35, 200	181, 000	133, 854	1582, 000
43	25, 573	45, 240	741, 816	1030, 601	2, 259	36, 100	70, 000	57, 588	808, 000
44	16, 047	2, 360	262, 372	2198, 790	1, 338	60, 000	65, 000	29, 548	413, 000
1945	2, 150	1, 240	87, 529	632, 005	686	14, 400	20, 000	13, 082	98, 000
46	36, 912	66, 282	672, 676	143, 860	3, 647	37, 836	-	24, 145	714, 000
47	133, 949	74, 329	772, 428	83, 565	7, 432	31, 158	-	51, 772	1599, 000
48	165, 726	72, 167	769, 730	162, 898	16, 852	47, 623	337, 000	53, 016	2404, 000
49	274, 468	95, 703	702, 327	163, 980	26, 727	97, 356	552, 000	83, 243	3051, 000
50	493, 038	118, 804	281, 602	229, 761	35, 503	115, 970	981, 000	117, 481	2331, 000
51	1030, 289	173, 903	399, 943	454, 149	43, 717	176, 180	987, 000	213, 840	3050, 000
52	1260, 293	290, 879	929, 126	627, 064	62, 262	179, 510	1019, 000	357, 918	3803, 000
53	1318, 059	434, 585	1391, 031	521, 759	98, 405	212, 704	1184, 000	663, 484	4673, 000

Source: Tsusho Sangyo-sho (Ministry of International Trade and Industry), Kokogyo Seisan Shisu (Production Indexes of Mining and Manufacturing Industries), 1955. Adopted from Miwa [1993, p. 137].

Table 1-6 Japanese Passenger Car Production and Exports

Year	Production	% Exported

Table 1-6 Japanese Passenger Car Production and Exports

Year	Production	% Exported
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
1980	7 038 108	56.1
1985	7 646 816	57.9

Source: Nihon Jidosha Kogyokai (Japan Automobile Manufacturer's Association), Jidosha Tokei Nenpo, Jidosha Tokei Nenpyo. Adopted from Miwa [1990, p. 68], Table 4-1.

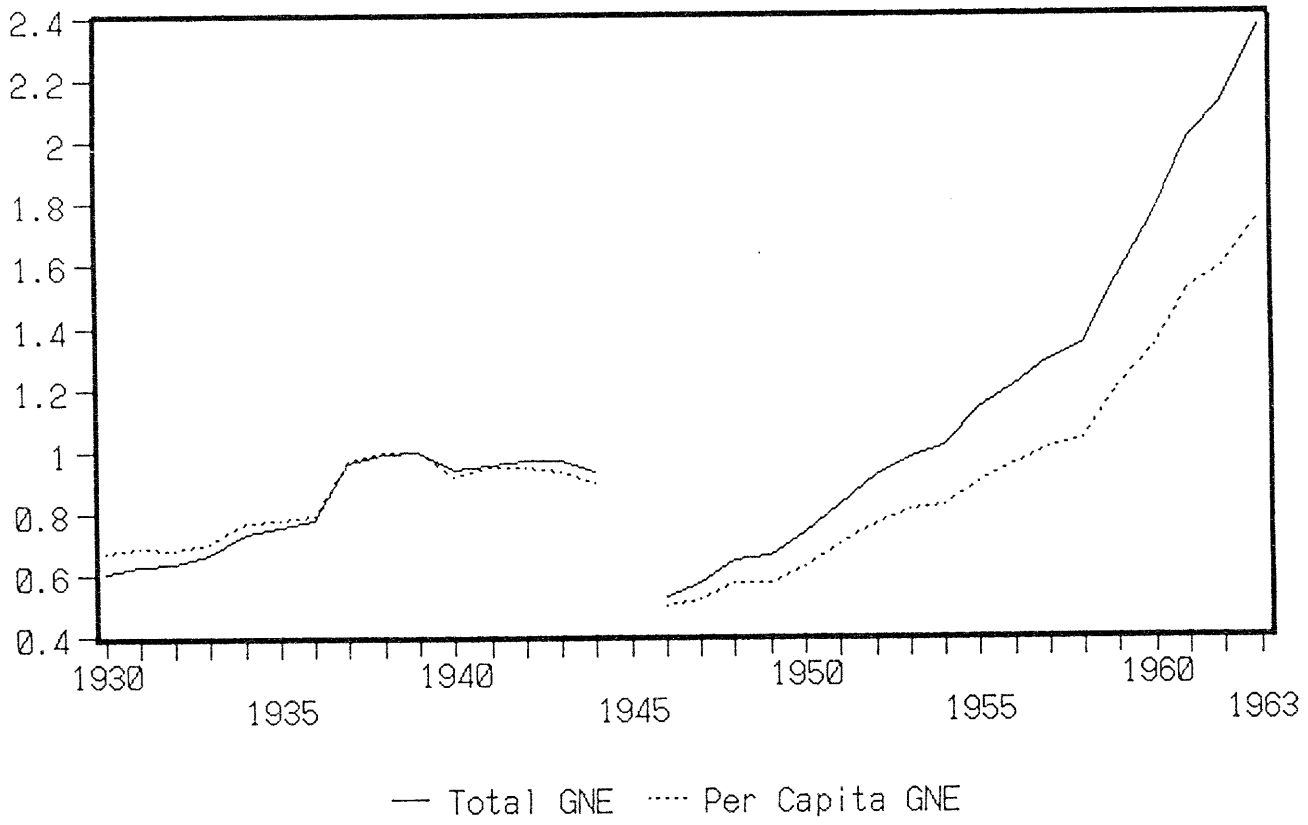
Table 1-7 A Comparison of Size of Large Firms: American, European, and Japanese

American		European	Japanese
General Motors		Volkswagen	Toyota
[N]	751	266	72
[S]	124705	50290	68375
General Electric		Philips	Hitachi
[N]	284	240	82
[S]	60236	33282	31337
Du Pont		ICI	Toray
[N]	133	128	10
[S]	38695	23321	4782
Dow Chemical		Bayer	Mitsubishi Chemical
[N]	62	162	10
[S]	18807	27941	5804

(*) Sales are converted at the rate of Dec. 31 1991.
[N] : Number of employees (in thousand) in 1991.
[S] : Sales (in US$ million) in 1991.

Source: Kaisha Shikiho, Toyo Keizai Shimpo-sha.

Fig 1-1. Total and Per Capita GNE
(at current prices in 1934-36;1939 = 1)



Source: Kokumin Shotoku Tokei Nenpo [National Income Statistics Yearbook], 1963 edition, Economic Planning Agency.