

Inside the Japanese System

Edited by Daniel I. Okimoto and Thomas P. Rohlen
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As Rohlen and Okimoto note in their introduction, *Inside the Japanese System* contains a wide range of readings designed to highlight the complexity of Japan's industrial system. Yet rather than offering a selection of new works (such as Stanford's three-volume *The Political Economy of Japan* [volume one published in 1987, volumes two and three in preparation] does), this slender anthology is mostly reprints and abridgments. The only conspicuous exception is a forthcoming book by coeditor Okimoto (also due to be published by Stanford) that is excerpted to great length and accounts for eight of the 55 selections.

Thus much of this book will be familiar to readers who have been following the literature. Part I on culture and society includes such stalwarts as Chie Nakane and Takeo Doi. Yet this repetition is important in explaining the importance of the group and the cohesion-oriented upbringing that has held Japanese society together.

Part II looks at the economy. Flaherty and Itami suggest that it is "the banking-industrial complex" that has supported the strong capital investment needed for postwar growth, while Kazuhiko Nagato looks at the reasons for the high household savings rate that enabled banks to hold up their end of this arrangement. Yet it is not only banks and industry, it is also, many observers claim, industry and industry, big business and subcontractors, industry and government, and almost everybody scratching everyone else's back to keep the foreign devils out. Yet were everybody in collusion, why would the Japanese market be as fiercely competitive as it is? In fact, the *keiretsu* and other cooperative arrangements that exist are essentially no different from the expediency that leads U.S. financial firms to team up with almost anybody for an M&A

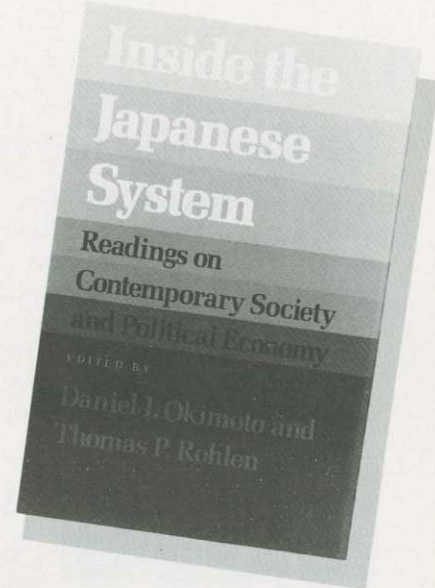
buck—except that expedience in Japan is measured in decades, not weeks, because the social cohesiveness ensures a longer institutional memory.

Part III looks at the company, with Rodney Clark explaining that Japanese management was created to meet specific labor conditions prevailing between 1890 and 1920 and Peter Drucker picking up on this theme to discuss how Japanese management very rationally optimizes the realities of the Japanese business context even today. Yet these realities are changing, and it is only natural that Japanese management practices should also change. A nation that has made the adaptations and advances Japan has must surely be counted pragmatic if nothing else. But before that, Richard Pascale and Thomas Rohlen review the Mazda turnaround, focusing heavily on the people factors and noting that this was an excellent example of Japanese companies' ability to pull together for shared ends.

No discussion of the Japanese system would be complete without the obligatory section on government institutions and policy making. This section, Part IV, is dominated by Okimoto's emphasis on the Japanese preference for non-acrimonious solutions and the distaste for adversarial relations in a long-remembered society. In this same vein, it is explained that the Liberal Democratic Party has maintained its hold on power by becoming all things to all people and developing what Ellis Krauss and Michio Muramatsu call the patterned pluralist model and Okimoto the societal state.

Finally, Part V looks at the future, its penultimate section, a reprint of the tired Maekawa Report that elucidated the emerging uncertain consensus that something—nobody knows what yet—has to be done to resolve what James Abeglen calls Japan's ultimate vulnerability: the fact that Japan defines its national interest too narrowly.

This is a varied book with a wide range of opinions expressed. As might be expected, some of them are rather questionable. We have, for example, Chalmers Johnson saying that the movement of bureaucrats from the government to



powerful positions in private enterprise is directly opposite the direction of elite mobility that prevails in the United States—forgetting that the revolving door in the United States necessarily involves rapid and numerous movement in both directions (à la Petersen, Ball, Shultz and all the rest).

However, there are also many good pieces. I must admit that my own favorite is Ronald Dore's "Goodwill and the Spirit of Market Capitalism," in which he argues that Japan's relational contracting—the same thing that the dryly dogmatic "why isn't everybody else like I think the United States is?" advocates call a capitalist developmental state or some other exotic academic coinage—actually provides better growth and a more rewarding quality of life than many of the Western mentor models. This is someone with an empathy and sympathy for the subject he studies, and it would be nice if there were more people like him and fewer hack-it-to-bits-and-hold-up-the-pieces vivisectionist academics.

If you have been at Japan-watching a while, you probably have most of the book already, and its only value is its compactness. Aside from the section introductions (which are undated and may be expected to have been written in 1987) and one section that is simply undated because it was never published, and assuming that the 20 pages from Okimoto's forthcoming book will be published in 1988, the average year of publication for the papers in this book is 1980. But if you are new to this, here is a quick introduction that will get you through the day. (Get the paperback.)

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