Business Margins in Japan and the U.S.

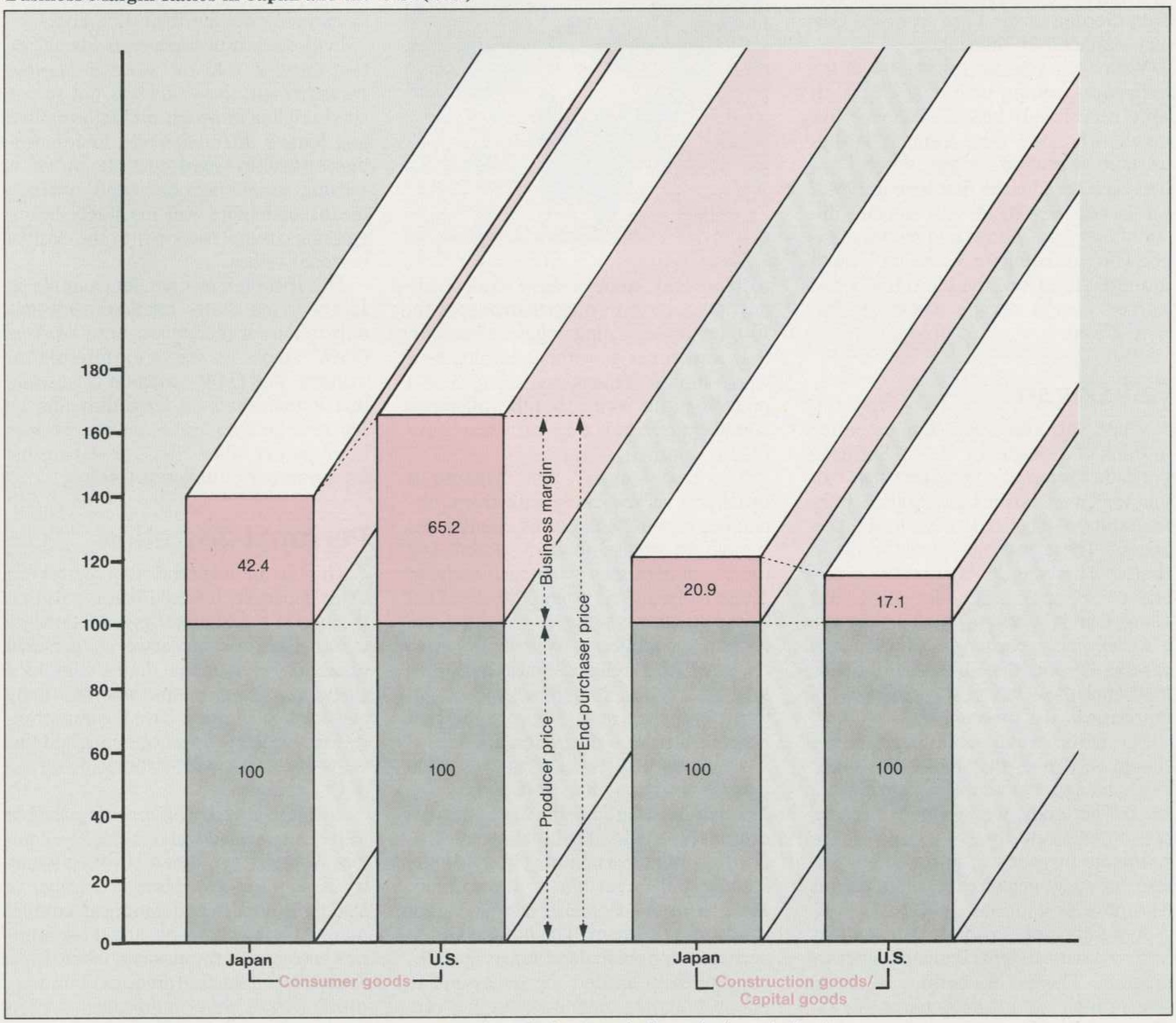
Japan's distribution system has often been criticized for being inefficient and for putting an excessive burden on Japanese consumers.

Such charges mainly reflect the alleged uniqueness of Japan's distribution structure characterized by the large number of small shops and stratification of the wholesale business.

One way to judge the efficiency of a distribution system is to look at the costs accruing to a product from commercial transactions occurring prior to final delivery to the end user. The accompanying graph compares the ratio of these total costs to producers' costs (the business margin ratio) in Japan and the United States.

The graph suggests that the business margin is lower in Japan than is commonly believed and that it is not necessarily true to say consumer prices are pushed up by inefficiencies in the distribution system. Japan continues efforts to simplify its distribution system.

Business Margin Ratios in Japan and the U.S. (1981)



Notes: 1. The business margin is the ratio of commerce sector demand values to production sector demand values in each final demand sector. The production sector includes agriculture, forestry and fisheries, mining, and manufacturing; the commerce sector includes wholesale and retail businesses.

2. Consumer goods figures are for private final consumption; construction/capital goods represent total private fixed capital formation.

Sources: MITI "Survey of Current Business"/"1981 Input-Output Tables"