

Freedom that Fosters Success in Industry

By Naohiro Amaya

Born in 14th-century Italian city states, the Renaissance sparked major changes in world history, including the age of navigation, the scientific revolution and the industrial revolution. Until the 19th century, Europe was both cradle and stage for the development of modern civilization. Yet the focus shifted in the 20th century with the emergence of a powerful wave of industrialism in the United States. After World War II, this wave swept across the Pacific to Japan and, more recently, the newly industrialized countries (NICs) of Asia.

Within this tide of history, it may also be seen that the development of industrial capacity has been closely related to popular values and ways of government. Americans worked very hard in their free and egalitarian society, putting their hearts into achieving success in life. People in Japan, South Korea, Taiwan, Hong Kong and Singapore have also dedicated their lives to attaining prosperity and respectability, emphasizing education and embracing the Confucian ideals of honesty and hard work in order to improve their lots in the world.

America was the first country to completely realize the ideals of freedom and equality across the whole political and economic spectrum. The establishment of a democratic government and the surge in industrial power went hand in hand. In contrast, late 19th century and early 20th century Japan maintained an extremely authoritarian form of government. Although much more modern than it had been under the Tokugawa Shogunate, Japan was still much less democratic in its political institutions than America was. Growing out of this undemocratic base, Japanese capitalism was quite successful with its emphasis on building the supply side, but it was a fail-

ure both politically and diplomatically, which led to the nation engaging in a war in which it was eventually defeated.

After World War II, Japan carried out a complete and thorough democratization on both the political and economic fronts. Had these reforms not taken place, it is very doubtful that Japan could have achieved the miraculous economic growth that it did with democracy. One of the biggest reasons for the Asian NICs' success with industrialization is that, generally speaking, their political and economic leadership is of a very high caliber. According to Confucian principles, the elite are forbidden from pursuing selfish interests and are expected to be loyal public servants. There is bound to be some corruption anywhere there is power, but there is relatively little corruption among people in positions of power in Japan and the Asian NICs.

Yet outside of Japan, the other Asian countries have been noticeably slow to adopt democratic forms of government. However, if you look at the historical trends, both South Korea and Taiwan are slowly but steadily advancing toward democratization. Economic activity has increased as political democratization has advanced, and this higher economic level has in turn encouraged the people to demand further democratization, producing a virtuous circle of progress. The most important issues facing Singapore today are the generational transition and the democratization of politics, and developments there are likely to be influenced by events in South Korea and Taiwan. Even China now recognizes the inherent bureaucratic abuses and inequities of its Communist government and is doing its best to improve on that system.

With their peoples' fundamental values and able leadership ideally suited for industrial progress, the countries of the Asia-Pacific region should continue to make their governments more democratic. All of this bodes very well for the future, and I am hopeful that, over time, as the countries of this region become even more politically and economically interdependent, a common culture will emerge to join the diverse nations and peoples of Asia.

Inspiring Interview

Your interview with Dr. E. Nishibori in the March/April 1988 issue of the *Journal* was both charming and inspirational.

These days it is easy to be overawed by advances in scientific knowledge. We pressure our students to cram more and more technical information into their heads without teaching them to think for themselves. In the result, when confronted with any technically complex problem, their tendency is to look for a complex solution. Usually, however, the best solution is a simple one.

It is not only scientists and engineers who make this mistake—it is often committed by other professionals such as lawyers and accountants.

Dr. Nishibori's interview emphasized the human dimension, or what he calls the explorer spirit. For the whole of my education in Australia, I was indoctrinated with theories of leading businessmen on how to achieve success in life and business. Never once was I encouraged to be willing to fail! Knowledge is, of course, an amalgam derived from successes and failures. We in Australia call this method of learning "the school of hard knocks."

If Japan keeps on producing more Nishibori-sans, the world will be the better for it.

Robert L. Pritchard
President
Pritchard Associates
Sydney

Sense on Defense

Your Face-Off on Japan's defense, with articles by Osamu Kaihara and Mike Mochizuki, in the March/April 1988 issue of the *Journal* was an unusually sensible discussion of this controversial subject.

Although Mr. Kaihara has been making the same critique of Japan's defense policy for more than 20 years, his criticism of the lack of realistic public discussion of defense issues in Japan continues to be correct and is now more relevant than ever. For as Mike Mochizuki points out, the

U.S. does not have military hegemony in the Western Pacific, and there is a strong likelihood that the next U.S. administration will cut the defense budget, including U.S. forces in Northeast Asia, in an effort to deal with the U.S. budget deficit. The question is what to do.

Since Japan is still not ready to substantially expand its military role, and since the U.S. has tacitly accepted the numerical superiority of Soviet naval and air forces in this region, the U.S. and Japan should counter and contain the Soviet military threat by much more closely coordinating their defense policies, along the lines of the NATO alliance.

By planning, building and deploying their forces under a joint strategy, Japan and the U.S. can exploit their geographical advantages to mount an adequate air defense for Japan.

Martin E. Weinstein
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 and International Studies (CSIS)
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COMING UP

The *Journal* will focus on the relationship between Japan and the United States in its September/October issue.

Contributions from knowledgeable and influential figures in various fields will include articles by U.S. Ambassador to Japan Mike Mansfield and Akio Morita, chairman of Sony Corp.

There will also be a dialogue between Richard Cooper, a Harvard University professor and former undersecretary of state, and Naohiro Amaya, the publisher of the *Journal*.

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.

Plan Stresses Domestic Demand

At the request of the prime minister, the Economic Council has drawn up its recommendations for a new five-year economic plan (fiscal 1988-92) aimed at consolidating the shift to domestic-demand-led economic growth. Receiving this report from Economic Council Chairman Gaishi Hiraiwa (who is also chairman of Tokyo Electric Power Co.), Prime Minister Noboru Takeshita took it to the Cabinet for formal approval as a government plan.

Economic plans are intended to provide directions and guidelines for government economic policy management. This new plan, the 11th postwar economic plan, supersedes the "Outlook and Directions for the Economy and Society in the 1980s" plan drawn up in 1983 to cover the period 1983-90, since it was felt that the burgeoning current account surpluses, the yen's dramatic appreciation against the dollar, soaring land prices and other major changes had rendered the previous plan outdated.

Entitled "Economic Management within a Global Context," the new plan is characterized by its priority consideration of the major international issues facing all countries and its forthright statement that Japan must truly be at one with the rest of the world.

The plan outlines three major problems facing Japan: (1) reducing the massive trade surplus and contributing to a better world, (2) achieving a better quality of life, and (3) relieving the over-con-

centration in Tokyo. The plan stresses that all these problems can be solved by consolidating the shift away from export-dependent growth and toward a domestic-demand-powered economy.

Looking first at the current account surplus and Japan's contribution to a better world, the plan calls for further market-opening, greater direct overseas investment and enhanced economic assistance to the developing countries. The streamlining of distribution, the easing of restrictive regulations, and other changes that accompany market-opening are expected also to promote price stability and thus improve the quality of Japanese life.

In addition to price stability and greater consumer choice, the plan calls for shorter working hours, including greater observance of the 40-hour work week and bringing the total hours worked per year down from an average 2,100 at present to about 1,800 by 1992.

Noting that high housing costs are a major factor affecting the quality of life, the plan urges forceful land policies that will not only make housing more affordable but will also help relieve the over-concentration in and around Tokyo. To further encourage growth outside of Tokyo, the plan also calls for the creation of suprapregional cities as the centers for suprapregional economies and even moving governmental agencies outside of Tokyo.

Along with calling for overhauling institutions and arrangements that are no longer in tune with the times, the plan emphasizes that judicious use of government pump-priming investment and giving freer rein to private-sector activity will

Main Economic Indicators as Forecast in the New Economic Plan

(Figures are per-annum averages except as otherwise noted.)

Real economic growth rate (domestic demand component)	about 3¾% (about 4¼%)
Nominal economic growth rate	about 4¾%
Consumer price index increase Wholesale price index increase	about 1½% nil
Unemployment (in the final year)	about 2½%

Note: Given the unpredictability of so many developments in Japan and overseas, these figures should be taken as general-range indicators.



Foreign executives in Tokyo's business district. A new five-year economic plan stresses the importance of more open markets.

make it possible to expand domestic demand without running up massive government debt.

Although the average per-annum real economic growth rate of 3¼% forecast for the five years 1988-92 is lower than those postulated in previous economic plans, the new plan contends that this growth can and should be attained and sustained without depending on exports. This, the plan concludes, is one of the biggest contributions that Japan can make to the international community.



A crowded passport office prior to the "Golden Week" holidays

Record Exodus Abroad During Golden Week

"Golden Week" is what the Japanese call the week of national holidays that comes around each year starting on April 29 through early May, and this year it was a golden week indeed for tourist industries around the world as record numbers of Japanese streamed abroad in search of exotic vacations. No less than 273,000 people left the country during the vacation week, which lasted an exceptionally long 10 days for many companies. Even stay-at-homes were not content simply to stay at home, as domestic travel also surged ahead of previous-year levels for the vacation week.

Golden Week has always been a time of mass exoduses out of Japan's crowded cities, but the conditions have never been better than in 1988. Effective this year, a revision in the law made May 4, sandwiched between Constitution Day on May 3 and Children's Day on May 5, also a national holiday. With the emperor's April 29 birthday falling on a Friday this year, the stage was set for many manufacturers, retailers and restaurants to give

their employees 10 days of holiday from April 29 through May 8. In a country where the proverbial corporate busy bee has traditionally refused to take even the short vacation periods allowed him, the stage was set for a major fling with free time.

With time on their hands, and the strong yen in their pockets, 25% more Japanese than last year chose to take their vacations abroad. Hawaii remained the perennial favorite, with 48,000 Japanese flocking to its sandy shores, followed by Hong Kong and South Korea in that order. This time, however, most Hawaiian revelers were family parties out for sightseeing and relaxation. The young single women, for a change, had their sights set on Hong Kong and South Korea, where they could indulge in buying sprees using the robust yen. With the 1988 Olympic Games only a few months away, South Korea came in for special attention.

According to Tatsuya Kondo, owner of the Tour Wind travel agency in Tokyo's Shibuya district, an unprecedented number of Golden Week globe-trotters were taking their first forays overseas. From applying for passports to buying foreign cur-

rency, choosing what to take and what to wear, agency staff had to provide detailed instructions to hordes of anxious travelers. Kondo himself helped see one bar owner off to Hawaii for his first trip abroad, and his first 10-day-long vacation in his life.

The exodus was a bonanza for tour operators and foreign tourist industries, but Japanese hoteliers and guides had their hands full as well. The number of Japanese traveling within Japan to Hokkaido and Shikoku far exceeded last year's levels. The completion of the Seikan undersea tunnel between Hokkaido and the main island of Honshu and the Seto Ohashi bridge linking Honshu to Shikoku helped open up new tourist meccas. The six companies of the Japan Railways Group reported that 4,270,000 people traveled on main line services, up 18% over Golden Week 1987. Shikoku Railway Co., benefiting from the new bridge, saw load factors leap 50%. The railway exodus of white-collar workers and their families from the Tokyo area was no less impressive, with some 2,127,000 people buying tickets to get them out of the big city, an increase of 13% from a year before.