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A POLITICAL ECONOMY APPROACH TO
THE STUDY OF CONTEMPORARY JAPAN

by

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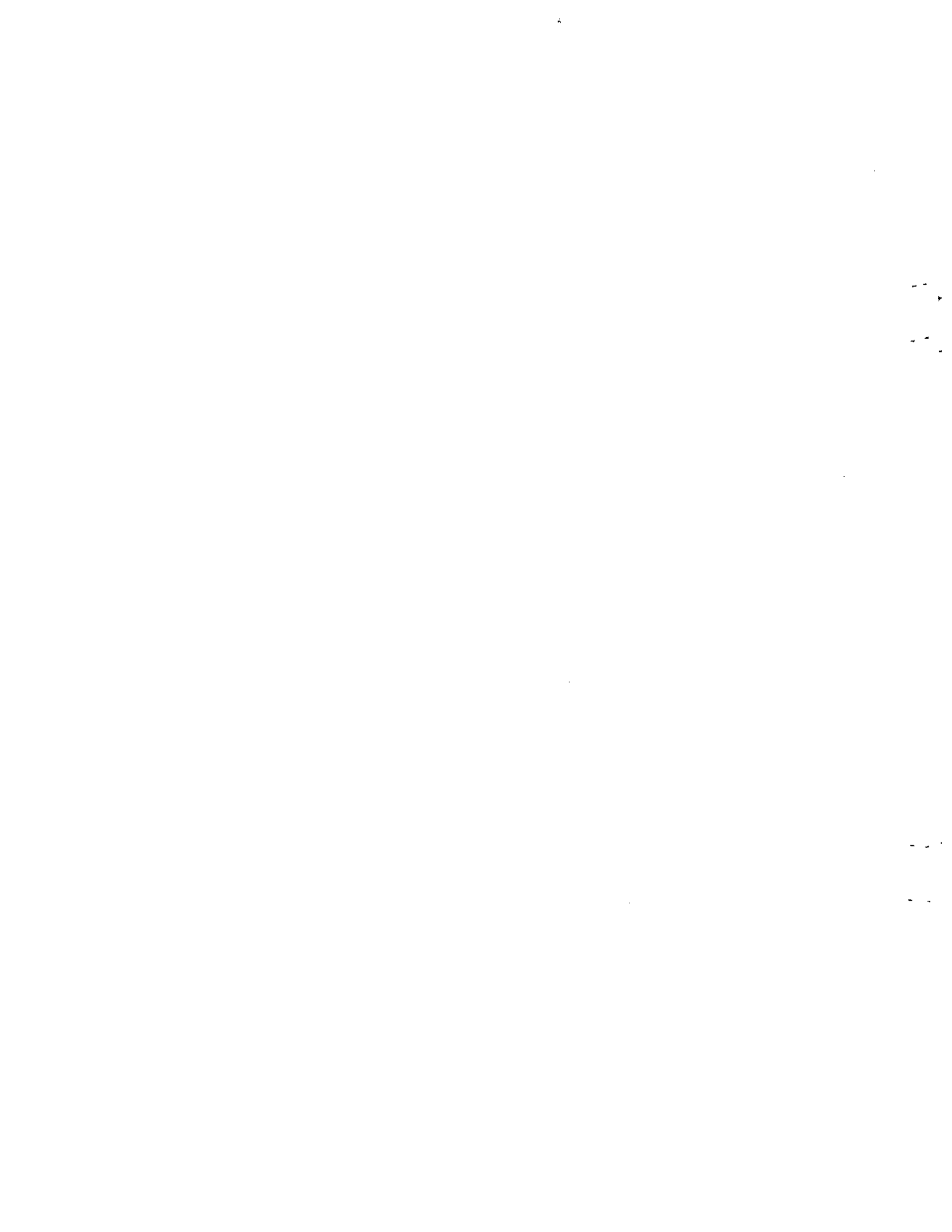
A POLITICAL ECONOMY APPROACH TO THE STUDY OF CONTEMPORARY JAPAN⁺

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I. INTRODUCTION

As a society progresses from the period of industrialization to a post-industrial state, the power structure and institutional relations will tend to alter in response to changes in basic external conditions and in social values and attitudes.¹ Political, economic, and other social organizations must adjust themselves if they are to maintain their power and effectiveness in the society. Some organizations can adapt better than others. Some may not adjust at all, due to organizational or institutional rigidities. In the process, a reconfiguration of the society's power structure and institutional relations will inevitably take place to a greater or lesser degree.

Based on this idea, we propose an analytical framework in which the post-war development of Japan's political economy can be interpreted and investigated in a comprehensive and meaningful way. Our emphasis is on the pluralistic tendencies in the value/power structure of postwar Japanese society and the corresponding changes in the nature of its politico-economic system from an elite bureaucratic dominance to a more complex interaction of political and economic forces. Furthermore, we detect an analogy between the government power structure and the new corporate structure, which we believe provides a new insight as to why and how Japan's government-business relations have been changing in recent years.

In the following two sections, we will give a brief list of changes in basic social conditions and also in social values and attitudes, which we consider are most significant in postwar Japan. Our purpose in these two sections is not to explore possible causes of such changes, but rather to provide a broad background for our analysis of institutional adaptation to changing conditions, values, and attitudes. In section IV, we discuss how

Japan's power structure has been changing in response to the underlying currents explained in the previous sections, and in section V, some representative studies of the Japanese political economy are classified into five categories, each of which can be regarded as a mere "snapshot" of our dynamic, comprehensive framework. After giving more detailed explanations and concrete examples of institutional adaptation in the fields of business, bureaucracy, and government in section VI, we examine the nature of the organizational changes which have recently been taking place in a typical Japanese business corporation, and then we infer why and how the Japanese government-business relationship has been and will be changing by using an analogy between the social organization involving government and business and the corporate organization involving management and labor. In the final section, we give some thoughts on the possible effect of the recent power/institutional changes on Japan's policy performance in the future.

II. SOCIAL CONDITIONS AND ENVIRONMENT

First, Japan's economic situation has been improving rapidly throughout the postwar period. This change may be indicated by the following expression:²

POOR —————> AFFLUENT

Second, Japan has been gradually integrated into the global system and in particular the Japanese economy has been opened up to the world market. This change from inward-lookingness to outward-lookingness can be expressed as follows:³

CLOSED —————> OPEN

Third, as Japan is becoming a part of the global system, the country is more directly influenced by changes in the outside world, for example by the oil crises in the 1970s. The global system apparently has become more volatile and uncertain in recent years. This means that the external economic environment surrounding Japan seems less predictable now than ever:⁴

STEADY/PREDICTABLE —————> VOLATILE/UNCERTAIN

Fourth, the external political and diplomatic environment has changed. The past forty years has witnessed a change from a cold war atmosphere with open confrontations in China, Korea, and Vietnam to one of more normal international relations in East Asia. As a result, Japan has been enjoying a less troubled regional diplomatic environment in recent years, which can be expressed as follows.⁵

HOSTILE —————> PEACEFUL

These changes in Japan's external conditions and environment are associated with changes in the value system and the power structure in Japanese society.

III. VALUES AND ATTITUDES

The most obvious change in the value system in postwar Japan is one of diversification. While relatively simple values such as economic reconstruction and growth at any cost (or for the opposition, simple belief in socialism) were dominant shortly after the war, the value system has become extremely diverse especially among younger generations in present-day Japan:⁶

SIMPLE —————> DIVERSE

A new tendency which is closely related to the above change is permissiveness in people's attitude with respect to differing values, opinions, and behavior. This is in contrast to the aggressive and exclusive attitudes prevalent among the leaders of various groups (thus leading to violent confrontations in the political and economic arenas) in the early postwar period:⁷

EXCLUSIVE —————> PERMISSIVE

Regarding the content of the value system, it is obvious that non-materialistic values are becoming more dominant than materialistic ones. As the standard of living has reached a certain level, people start pursuing other objectives in their lives than purely economic achievements. In the early postwar era, the biggest goal was to have and to hold a job. Recently people pay more attention to leading a more pleasant and enjoyable life.⁸

MATERIALISTIC —————> NON-MATERIALISTIC

Also in the early postwar period, the political opposition was extremely suspicious of the "old guard," the ruling elite, and the military, but now the opposition is no longer as afraid, and the elite is no longer as nervous about the opposition as before. Thus, ideological values have changed:⁹

TENSE —————> RELAXED

Thus, Japanese society is becoming more complex, permissive, less crassly materialistic, and politics less ideological and more relaxed.

IV. POWER STRUCTURE

In response to the changes in social conditions, values and attitudes, the power structure in Japanese society has been undergoing a marked change especially in the last decade or so. Note that while the nature of the changes in social conditions and in the value system in postwar Japanese society appears universal and applicable to other advanced nations, the changes in Japan's power structure which will be explained in this section are somewhat more special and specific to Japanese society.

First, Japan's power structure is becoming more pluralistic. The so-called elitist model of Japan's political economy may be applicable only to the early postwar period.¹⁰ Let us indicate this as follows:

ELITIST \longrightarrow PLURALIST¹¹

This means that in the early postwar period the power of decision-making was delegated to (or naturally fell into the hands of) a small number of leaders, whereas more widespread participation by individuals and organizations in the process of decision-making is observed in recent years:

NON-PARTICIPATORY \longrightarrow PARTICIPATORY

In more concrete terms, it is the powerful group of elite bureaucrats which made most of the major decisions affecting the society in the early postwar period, and other players such as politicians and businessmen delegated (or yielded) their power to those bureaucrats. This monolithic power structure was best described as "Japan, Inc." As a result of the changes indicated so far, however, the power of elite bureaucrats has been declining rather markedly in recent years. The bureaucratic approach seems unable to deal with political, economic, and social problems effectively in face of changing social conditions and diverse values and attitudes. Instead, those problems are more frequently

been handled through political and economic channels rather than bureaucratic intervention. We indicate this change in decision-making on the governmental level as follows:¹²

BUREAUCRATIC → POLITICO-ECONOMIC

The nature of this change may be best illustrated in Figure 1.

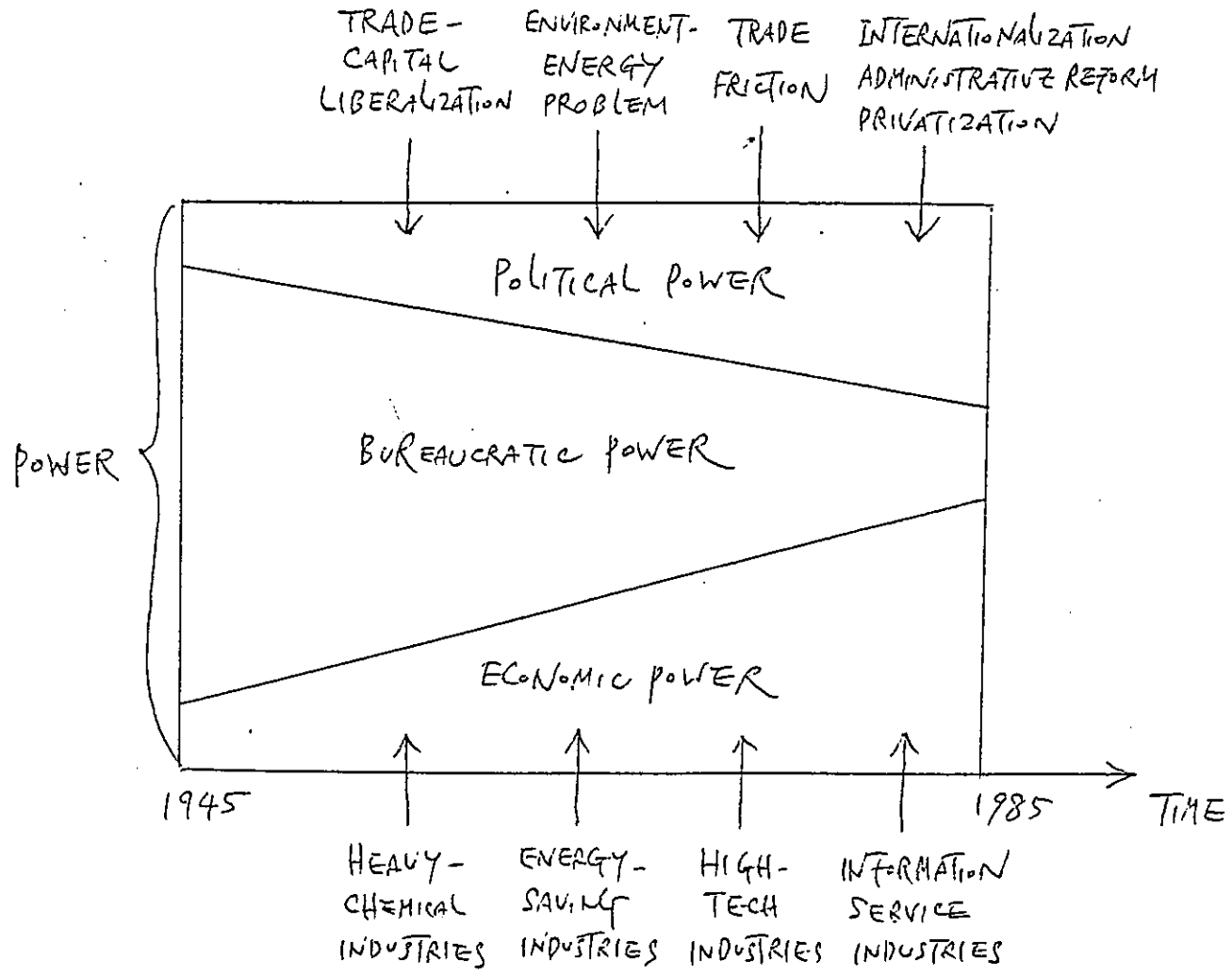
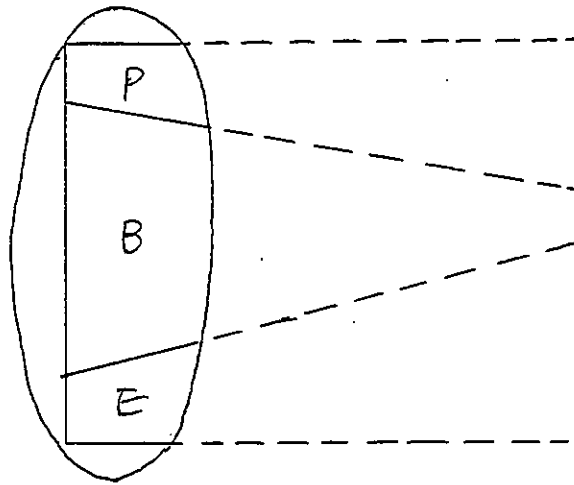


FIGURE 1

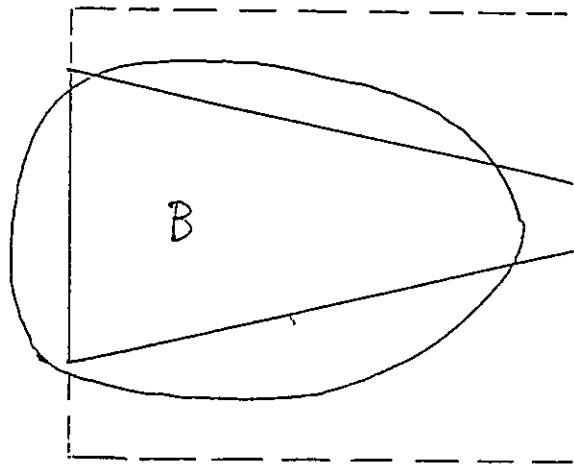
V. CLASSIFICATION OF PREVIOUS STUDIES

In view of the scheme in Figure 1, we can classify some of the representative studies of the Japanese political economy in the literature by regarding them as those focusing on only a part of the whole scheme.

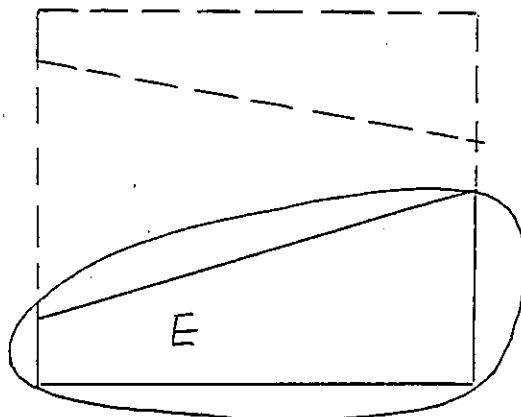
1. Elitist tripartite model; emphasizing the triangular interaction of political, bureaucratic, and economic power groups with each group lead by elite members.¹³



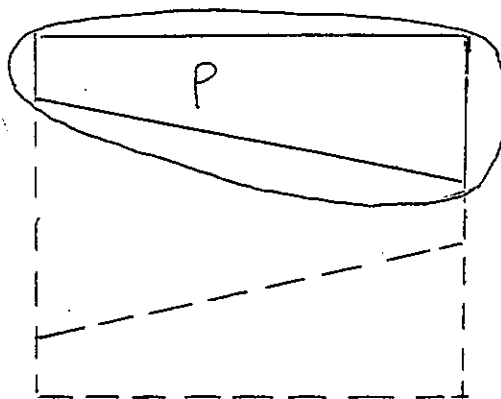
2. MITI/Japan, Inc. model; focusing on the dominant role of elite bureaucrats, especially MITI and MOF officials, in coordinating political and economic activities on a national scale.¹⁴



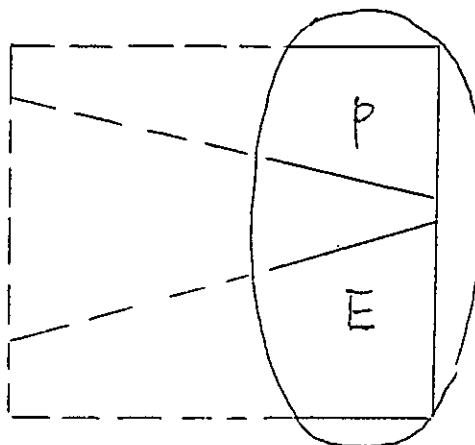
3. Free competition/entrepreneurship model; emphasizing the crucial role of vigorous competition and entrepreneurship in the realization of rapid economic growth in Japan.¹⁵



4. Domestic and international pressure model; pointing out that Japan's politico-economic system can only be changed by pressure from outside the system such as domestic pressure (e.g., pollution and administrative reform issues) and international pressure (e.g., demand for export restraint and market opening measures).¹⁶



5. Pluralistic political economy model; recognizing the importance of political and economic forces and their interaction in dealing with current social issues as already pointed out.



VI. INSTITUTIONAL RELATIONS AND ADJUSTMENTS

The first two models presented in the previous section, i.e., the elitist tripartite model and the MITI-Japan Inc. model, focus on the old-style power structure and institutional relations in Japan. This corresponds to the situation up to the late 1960s and the early 1970s. On the other hand, the last three models tend to emphasize new trends and growing tendencies in Japan's political, economic, and social relations, corresponding to the more recent developments indicated in Figure 1.

As already pointed out, these changes have been brought about by institutional adaptation to changing external conditions and social values and attitudes. Social interactions among politicians, bureaucrats, and businesses in connection with the external environment and the value system in the 1950s and the 1960s were relatively simple with the leadership role played by senior bureaucrats. This situation may be illustrated as follows:

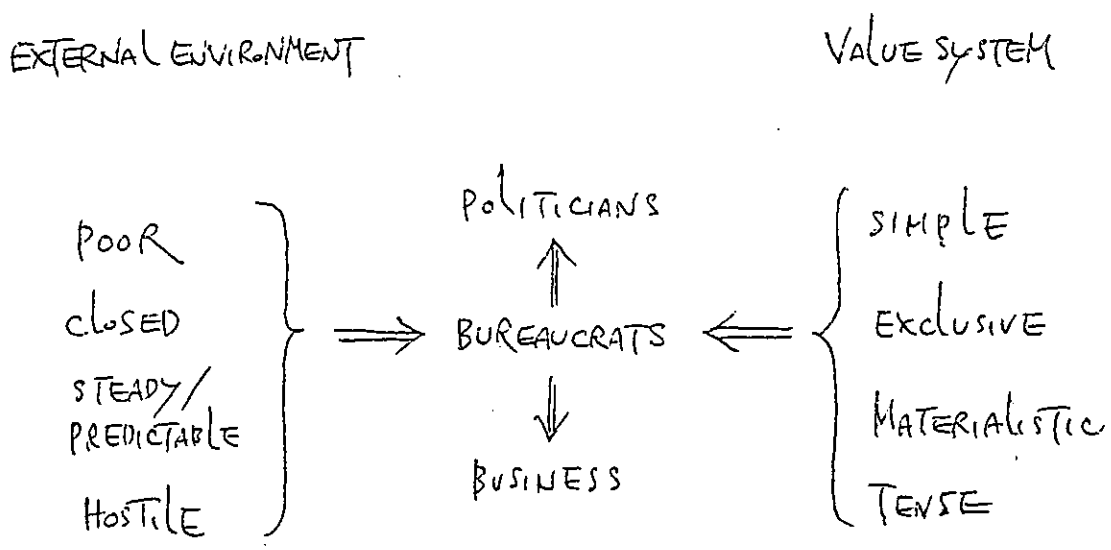


FIGURE 2

Due to the structural changes in the environment and the corresponding changes in the value system, as explained before, political, bureaucratic, and economic mutual interactions as well as relations with the environment and the value system have been altered in recent years. Generally speaking, political and economic forces are becoming able to adjust themselves to changing conditions and values more readily than bureaucratic forces are, because of the nature and the direction of those changes throughout the 1970s and the 1980s. This new relation can be illustrated as follows:

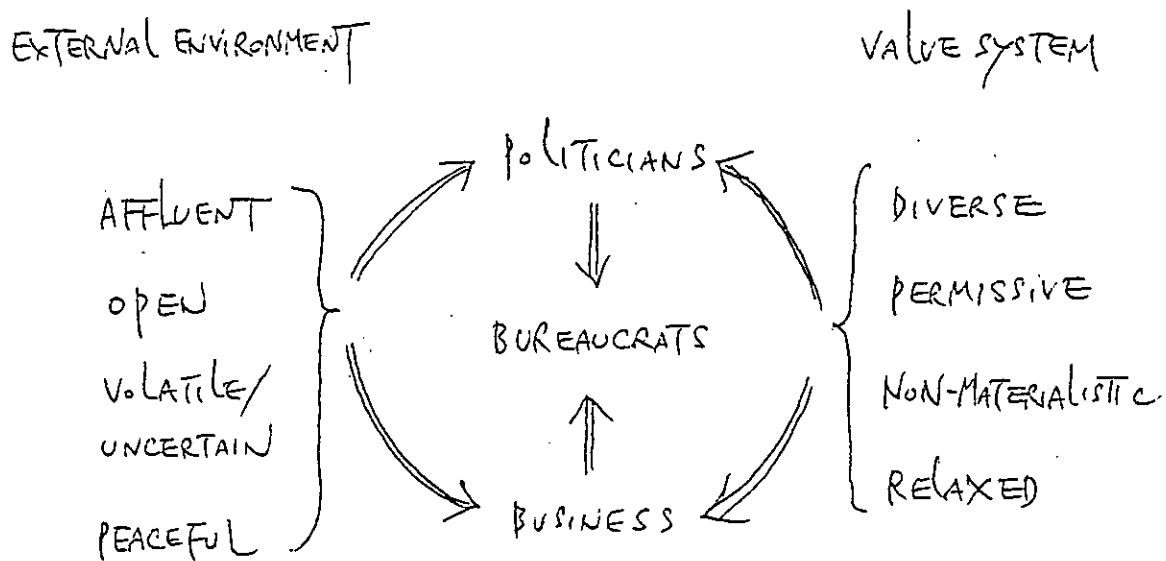


FIGURE 3

We should point out here that, while new trends are such that politicians and businesses are becoming more dominant than bureaucrats, this does not mean that all politicians and businesses are growing stronger and all bureaucrats are getting weaker. It depends on their ability and willingness to adapt to the changing environment and value system. Some examples of these diverse adjustment processes in various fields will be given below.

In the economy, the once dominant enterprise groups (Mitsubishi, Mitsui, Sumitomo, Fuyo, Daiichi-Kangyo, and Sanwa) have been declining in their relative status and strength in recent years. Their excessive investment in heavy-chemical industries during the 1960s made their adjustment to new economic trends extremely difficult and, as a result, they failed to maintain their power and influence on the economic scene. Relatively more independent and generally smaller enterprises in growing industries such as automobile, electronics, and services have fully adapted to current economic conditions and thus become more successful and influential in the economy.¹⁷

In the bureaucracy, while such institutions as the Ministry of Agriculture and Forestry, the Ministry of Transportation, and the Ministry of Posts and Communications have so far failed to modify their traditional protectionist and regulatory attitudes, contributing to their decline in power and influence, MITI has been adjusting its visions, strategies, and instruments by adapting to new social trends and changing values and technologies, and thereby managing to retain its power and influence in somewhat more subtle ways in recent years.¹⁸

In politics, a new generation of political leaders within the conservative Liberal Democratic Party has most benefitted from the changing environment, whereas the opposition parties in general have failed to take advantage of new trends in political opinions and attitudes on the part of the public. Probably, the biggest loser is the Japan Socialist Party which has failed to adjust its visions, strategies, and instruments to the pluralistic and permissive tendencies in the society. This may partly explain an apparent trend toward "conservatism," a moving away from left-wing political parties among younger generations in present-day Japan.¹⁹

VII. ANALOGY TO BUSINESS CORPORATIONS

In order to gain more insight as to why and how society's power structure and institutional relations have been changing, we shall make use of an analogy between a social organization and a business corporation. Responding to the same set of external conditions, social relations between government (politicians and bureaucrats) and business must be adjusting themselves in much the same way as business relations between management and employees are changing through time. Thus, by examining the nature of, and reasons for, organizational changes in business management, we may be able to see more clearly new trends and growing tendencies in social interactions among politicians, bureaucrats, and businesses in Japan.²⁰

First of all, it might be noted that the relations among politicians, bureaucrats, and businesses, as illustrated in Figures 1, 2, and 3, are somewhat analogous to those among top management, middle management, and bottom-level employees in a business corporation. More specifically, we may regard private businesses as floor-level members of the social organization which represents government-business relations in Japan. At the bottom of these relations, private enterprises actively interact with each other and with bureaucrats, and try to form a consensus in dealing with structural changes in the external environment, just as floor-level employees in a business corporation actively participate in consensus making.²¹

On the other hand, government bureaucrats can be considered "middle managers" of the society. Just like middle management in a typical Japanese company, senior bureaucrats are quite resourceful and skillful in guiding bottom-level "employees" (businesses) and facilitating their joint actions. At the same time, they make strategic decisions, whenever necessary. Chalmers Johnson argues that "the

elite bureaucracy of Japan makes most major decisions, drafts virtually all legislation, controls the national budget, and is the source of all major policy innovations in the system."²² Likewise, middle management in a Japanese company sometimes makes strategically important decisions based on consensus among employees at the bottom level.

At the top of the relations between government and business, there are top political leaders who normally approve the policies which bureaucrats formulate in cooperation with private businesses, just as top management in a Japanese company acts as a symbolic figurehead which approves the decisions made by middle management in cooperation with floor-level employees. Under unusual or "extraordinary" situations, however, top leaders may find themselves in a position to make hard decisions in politics as well as in business, and this seems to be the case more often in recent years as the speed of change in the external environment and the value system is accelerating through time.

In view of this analogy, we notice that in a business corporation the top and the bottom levels have become more powerful and influential, while middle management has been declining and been "squeezed out" in recent years. Analogous to Figure 1, this change may be illustrated as follows:

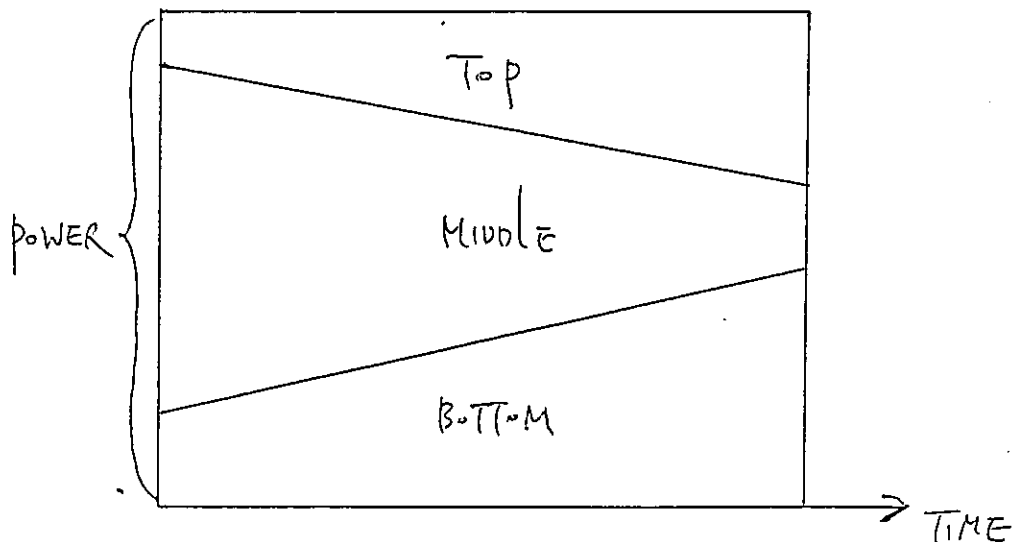


FIGURE 4

At the bottom of a Japanese company, what appears to be happening, however gradually, is reorganization of employees into project teams instead of traditional groupings such as sections (ka) and departments (bu). Each project team often consists of a variety of people with different backgrounds, cutting across existing organizational divisions, and team members are encouraged to develop new ideas and objectives which might go beyond the scope of its original assignment. These teams are given a high degree of autonomy and power with regard to decision making and an adequate amount of financial and informational support from top management in order to help team members make use of the first-hand experience and information which they can obtain directly from the outside environment with changing and unpredictable tastes and technology.²³

Probably the most serious impact of all the structural changes mentioned before is being felt by middle management in large business corporations. Japanese middle managers are now forced to change their way of thinking and behavioral patterns; a handful of them join the rank of top management to get involved in long-term planning and strategic decision making with much higher risk than before, whereas those who are assigned to project teams as team leaders must become more creative and imaginative rather than playing a purely coordinating role as they used to. Others who fail to be more innovative and risk-taking will sooner or later be deprived of their power and status as middle management. This competition among middle managers has been intensified by a changing labor composition, i.e., aging population and more female work force.²⁴

There is no doubt that the role of top management in a Japanese company is being reexamined, as the pace of internationalization and changing tastes and technology accelerates. Top executives are now expected to act strategically on two different levels. First, they must help induce more creative and innovative activities at lower levels of the company by reorganizing the corporate structure,

by introducing new lines of business, by reshuffling middle management personnel, or even by bringing in new types of managers from outside. Second, Japanese top management should take a more serious look at long-term strategic management involving key line managers and staff members in a systematic way. This is necessitated by the fact that strategically important projects are requiring more time and effort in planning and coordinating their research and development, production, and distribution worldwide, especially for a company which is subject to rapid internationalization and technological and demand changes. In order to achieve these two, somewhat contradictory, tasks, i.e., to facilitate decentralization for "bottom-up" creativity as well as centralization for "top-down" strategic management, top-level managers in some more successful companies are articulating a new management philosophy or vision in an attempt to transform the traditional corporate culture to a new, more creative one.²⁵

In other words, the Japanese corporate organization in general needs to be revitalized at all levels. A key to the revitalization process seems to be a kind of polarization in terms of both structure and strategy. Regarding structure, the importance of creative decision making power at the top and the bottom is increasing at the expense of the middle management level, leading to a new type of organization which might be called "flat" or "holonic."²⁶ As for strategy, there appears to be an optimal mix of spontaneous projects at the hands of creative project teams and long-range projects under the direct control of top management within the same organization. In this revitalization process, often a new management vision is articulated and sometimes a new corporate culture is created.

VIII. NEW TRENDS IN GOVERNMENT-BUSINESS RELATIONS

Having investigated organizational changes in business management, we can now revisit the analysis of government-business relations in Japan with some new insight as to why and how the power structure and the pattern of institutional relations have been changing in recent years.

As pointed out before, the influence of large enterprise groups has been reduced, and in addition many of the large corporations have been directly hit by an aging labor force and have been suffering from low morale and stagnation. Instead, relatively young and independent enterprises in high-tech, information, and service industries are emerging among the new business leaders, mainly due to rapid internationalization and changing tastes and technology. These social changes in favor of small creative companies appear somewhat analogous to the new trends toward more creative activities at the bottom level of a business corporation. As a result of those changes in the nature of private business and industry, the Japanese government can no longer rely exclusively on its traditional connections with large zaibatsu (or keiratsu) and semi-public companies for the effective implementation of industrial policy. In turn, this will adversely affect the power of the bureaucracy in Japan.

Again, quite analogous to a corporate organization, the most serious impact of the changes in the environment and the value system may be felt by government bureaucrats as "middle management" of the society. Those government agencies which are accustomed to apply old-fashioned rules and regulations have been rapidly losing their influence and effectiveness in dealing with private businesses. Furthermore, government and public corporations themselves are currently under intense political pressure to become more creative and competitive, as the popular demand for "administrative reform" is taken seriously by top political leaders. In the meantime, certain government ministries try to survive by redefining their

roles in the society.

The most notable example of such a change is MITI's remarkable metamorphosis from society's middle management to a higher position, closer to the top political level in the last several years. After resisting the move towards liberalization and internationalization for a while, MITI has now become a vocal advocate for deregulation, privatization, and free trade and investment in general, and has gone so far as to openly criticize the protectionist and regulatory attitude of other ministries, just as top political figures sometimes criticize old-fashioned bureaucracy. At the same time, MITI is actively involved in organizing private companies to support joint research and development programs which can be regarded as strategically important from the long-term point of view. This way, MITI has managed to maintain its leadership in government-business relations, while other government agencies have been declining in power and influence in recent years.²⁷

With regard to top political leaders, their role can no longer be that of a nominal figurehead.²⁸ First, they must realize that the private sector has grown to dominate almost every part of society, and the government sector should play a lesser role than ever before. Thus, revitalization of the economy through encouragement of creative private activity has become item one on the political agenda in Japan. In this regard, the leadership of top political figures may be considered crucial for further deregulation and privatization.²⁹ This, however, does not mean that there would be no further role for the government to play in relation to business. On the contrary, government initiative in coordinating the joint effort of private companies on certain strategic programs will become even more important, because basic research and development programs on the technological frontiers nowadays are often too large and too risky for a single private company to undertake by itself. For

instance, MITI has been quite instrumental in organizing Japan's leading high-tech companies to develop a "fifth generation" computer system jointly, a project which has prompted other advanced nations to embark on similar programs through the cooperation of government and business.³⁰

In summary, top government leaders are presently emphasizing private initiative for revitalization of existing institutions, on the one hand, and government leadership for strategically important research projects, on the other. In order to achieve these two tasks equally effectively, the prime minister and top MITI officials are articulating a new vision or philosophy of private creativity and internationalization, aiming at the transformation of the traditional culture into a new, more creative and open-minded one, just as top business executives preach a new management philosophy in an attempt to change their traditional corporate culture into one with more spontaneous creativity as well as better-organized strategic management. In this process those government agencies which fail to revitalize themselves in response to changes in the external environment and the value system are most adversely affected, just as middle managers of the traditional type in a business corporation are subject to the most severe competition among themselves.³¹

IX. CONCLUDING REMARKS

In conclusion, a few remarks seem appropriate regarding the effect of the recent power/institutional changes on Japan's public policy performance in the future.

First, given the fact that it takes time for public institutions to adapt to rapidly changing conditions, there will inevitably be more visible conflicts and even occasional deadlocks among those public institutions (such as government ministries) whose power and influence are declining over time. While such a situation could mean a certain ineffectiveness in policy formation and implementation in the short run, it might well speed up the trend toward the increasing importance of political and business leadership at the expense of formerly dominant bureaucrats. In this regard, a new generation of LDP leaders is expected to play an even greater leadership role than the present prime minister in navigating the politico-economic ship of state in the stormy transition period ahead.

Second, with its expanding economy, high savings, and huge trade surplus, Japan may even be destined to act as a deus ex machina to prevent the world economy from slipping into possible recession and also as a world investor/banker to supply necessary capital overseas for the long-run growth of developed as well as developing economies. Although the talent for these roles appear at present to be lacking, the trade friction which Japan is currently enduring may force more Japanese politicians to equip themselves with international perspectives and leadership abilities, and thereby create a kind of political resources necessary for Japan to act effectively on the world scene in the future.

Third, with regard to promoting research and development on the technological frontiers such as in the development of artificial intelligence, it is becoming more and more necessary for efficient utilization of limited research funds and

scarce human resources to coordinate research efforts internationally. One can expect Japan to be effective in this area in view of the fact that Prime Minister Nakasone and MITI officials have already started to make serious efforts for international cooperation to develop a fifth generation computer system, machine translation technology, etc., based on the rapidly advancing technological knowhow built up on the part of private business in Japan at present. Contrary to the fact that high technology policies of other nations, especially those of the U.S. and France, tend to have military overtones, Japan's do not. Japan thus finds itself in a position to facilitate technological cooperation among superpowers without inciting too much political skepticism or military antagonism. In this way, Japan's position may in fact be unique in being able to promote world welfare rather than warfare.

FOOTNOTES

- 1 By "postindustrial" state or phase of development, we mean the stage that comes after the "industrial" which follows the "preindustrial." It was applied to Japan and succinctly defined by Tsurutani as follows: "...the major features of postindustrial society...include...the majority of labor employment to be found in the so-called service sector, the service sector generating a larger share of the gross national product (GNP) than the agricultural and manufacturing sectors combined, a high level of affluence and mass material well-being, the national economy becoming 'knowledge-intensive' in contrast to 'capital-intensive' and 'labor-intensive,' and a decline of 'work ethic' and 'materialist values.'" Taketsugu Tsurutani, Political Change in Japan: Response to Postindustrial Challenge (New York: David McKay Company, Inc., 1977), pp. 6-7.
- 2 Given Japan's geometric growth since the end of the war, it is hard for the older generation to remember and harder still for younger Japanese to imagine how poor Japan was just after the war. For Japanese reactions to this change, see Osamu Shimomura, "Kōdo seichō to Nihonjin" (High-speed growth and the Japanese), Bungei shunjū (February 1976), 126-43. And also Foreign Press Center, Leisure and Recreational Activities (Tokyo: Foreign Press Center, 1977), for how life style has changed. Japan's postwar economic growth has been extensively analyzed by many authors including Hugh Patrick and Henry Rosovsky (eds.), Asia's New Giant: How the Japanese Economy Works (Washington, D.C.: The Brookings Institution, 1976), pp. 1-151.
3. While this is obvious to all, documentation for it can be found in Patrick and Rosovsky, pp. 54-61, and 397-451.

- 4 See Patrick and Rosovsky, pp. 58-61, and 911-23.
- 5 Of all the factors that have brought about change from confrontation to relaxation in the international environment, perhaps the most important is the change that has taken place in China's international and internal orientations. This has also had a beneficial effect on relations between Japan and the U.S. and has not really worsened Japan's relations with the Soviet Union, as feared. See George O. Totten, "Implications of Changing Sino-Japanese Relations for the Future of the U.S.-Japan Nexus," in James C. Hsiung (ed.), Beyond China's Independent Foreign Policy: Challenge for the U.S. and Its Asian Allies (New York: Praeger, 1955), pp. 71-79.
- 6 For recent changes in Japanese values and attitudes, see Economic Planning Agency, Japan in the Year 2000 (Tokyo: The Japan Times, Ltd., 1983), pp. 88-98, and Bradley M. Richardson and Taizo Ueda (eds.), Business and Society in Japan (New York: Praeger, 1981), pp. 244-58.
- 7 This corresponds with the categories of "tradition-oriented" (dentō-shikō) or "anti-tradition-oriented" (dentō-ridatsu). The former means respect for emperor, nationalism, etc. This interpretation is from Yasusuke Murakami, "The Age of New Middle Mass Politics: The Case of Japan," The Journal of Japanese Studies, 8, 1 (Winter 1982), 65-66. That the Japanese are becoming less tradition-oriented is the finding in Kazuto Kojima, Ch. 2, sec. 2 in Nihon Hōsō Kyōkai (NHK) Hōsō Yoron Chōsajo (Japan Broadcasting Corporation Opinion Survey Center) (ed.) Daini Nihonjin no ishiki: NHK yoron chōsa (The Consciousness of the Japanese II: NHK Opinion Survey) (Tokyo: Shiseidō, 1980), p. 123, as cited by Murakami, ibid., 65.
- 8 Another survey, this time by Hiroshi Akuto, Ch. 2, Sec. 3 in Daini Nihonjin no ishiki (1980), pp. 154 and 163, in Murakami, 66, fn 41, supports our

thesis that materialistic interest, such as "satisfaction about livelihood" (seikatsu manzoku-do), is decreasing over time. There was also, along this line, a shift away from "efficiency" (nōritsu) toward "gratification" (jōcho), especially among people under 30, Murakami, 68. This tendency can be more clearly seen in Monbu-sho (Ministry of Education), Kokuminsei chōsa (National Character Survey) (Tokyo, 1983), which indicates that a vast majority of the Japanese youth nowadays would prefer to lead a "carefree life" by doing what they like, rather than building a fortune or sacrificing themselves for society.

9 For instance, Bradley M. Richardson and Scott C. Flanagan in Politics in Japan (Boston: Little, Brown and Company, 1984) mention on p. 111 that "the intensity of debate has diminished in recent years" between the opposition and government parties, and they conclude on p. 454: "The postwar Japanese political system has experienced a series of middle-range crises, most of which have been handled in a satisfactory way, i.e., with pockets of societal frustration and political opposition but no significant radical opposition to existing political formats."

10 An excellent discussion of the elitist and pluralistic models as applied to Japan may be found in Haruhiro Fukui, "Studies in Policymaking: A Review of the Literature," in T. J. Pempel (ed.), Policymaking in Contemporary Japan (Ithaca: Cornell University Press, 1977), pp. 22-59. In it he confirms that the "concept of a tripartite power elite composed of leaders of the ruling Liberal Democratic Party (LDP), senior bureaucrats, and big businessmen" had been the most widely accepted model. He then points out that the pluralists' critiques are growing in number, but concludes that the findings so far "do not add up to an integrated model or theory of pluralism" either. He then makes specific suggestions and calls for "more case studies and

generalizations based on them." At the end of the book Pempel, using examples from the whole book, perspicaciously points out how heterogeneous Japanese policymaking is. In some cases an elite model is more heuristic, in others a pluralist model is more relevant. He also discusses levels of analysis, time frames, etc., indicating the complexities. But he also is willing to admit high levels of generalization, as for example, "comparison between Japan of the mid-1970's and Japan of the 1930's..." shows "policymaking is surely more open to social influence and less hierarchical in nature," Pempel, ibid, p. 322. This is also our argument but we are also taking into consideration the decade since that book was written.

- 11 The movement from "elitist" to "pluralist" is meant to indicate direction, but what may be happening in reality at present is a movement from "limited pluralism" to "fragmented pluralism." "Limited pluralism" means pluralism within each segment of the ruling triumvirate of leading politicians, senior bureaucrats, and big business. "Fragmented pluralism" means pressure politics made up of "zoku" (pressure groups or lobbyists) made up of interested Diet members with ties to special related sections of the bureaucracy or big business, operating notably in the subcommittees of the Political Affairs Research Committee (Seimu Chōsakai) of the LDP. See Akira Nakamura and Yuzuru Takeshita, Nihon no seisaku katei: Jimintō, yatō, kanryō (The Japanese Policy Process: The LDP, the Opposition, and the Bureaucracy) (Tokyo: Azusa Shuppansha, 1984), pp. 12-63.
- 12 The tendency away from the bureaucratic dominance toward politico-economic pluralism has been mentioned by many authors such as Nakamura and Takeshita, pp. 308-23, and Takashi Inoguchi, Gendai nihon no seiji keizai no kōzu (Scheme of the Political Economy in Contemporary Japan) (Tokyo: Toyo Keizai Shinposha, 1983), pp. 179-191.

- 13 In Pempel's book Haruhiro Fukui mentions a number of Japanese and American scholars who support the elite model, including Takeshi Ishida, Yonosuke Nagai, Hajime Shinohara, and Junnosuke Masumi. He places himself in that category with his book, Party in Power: The Japanese Liberal-Democrats and Policy-making (Berkeley and Los Angeles: University of California Press, 1970). Other Americans include Robert A. Scalapino and Nathaniel Thayer. The books he mentions were mostly written in the 1960s and reflect the reality of that period.
- 14 Perhaps the best known work that takes the position that the bureaucracy essentially rules Japan and that the most vital ministry in promoting economic growth in Japan is the Ministry of International Trade and Industry (MITI) is Chalmers Johnson, MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975 (Stanford, CA: Stanford University Press, 1982). Also see James C. Abegglen (ed.), Business Strategies for Japan (Tokyo: Sophia University, 1970), and Eugene J. Kaplan, Japan: The Government-Business Relationship, A Guide for the American Businessman (Washington, D.C.: Department of Commerce, 1972).
- 15 The view that free competition and vigorous entrepreneurship in the market are the most important factors for Japan's postwar economic development has recently become quite popular among neoclassical economists as well as Japanese business leaders. For example, see Patrick and Rosovsky, pp. 1-151, and Rei Shiratori (ed.), Japan in the 1980s (Tokyo: Kodansha International Ltd., 1982), pp. 179-208. In a sense, this view may be regarded as an outgrowth of the elite model with emphasis on the dominant role of big business in the tripartite rule with the bureaucracy and the conservative party, e.g., Chitoshi Yanaga, Big Business in Japanese Politics (New Haven: Yale University Press, 1968).

- 16 For example, Japanese political leaders, such as the present Prime Minister Yasuhiro Nakasone, often cite American pressure in order to persuade opponents in such cases as market opening measures, privatization, etc.
- 17 Recent developments in Japanese business and industry are well documented in the literature including Economic Planning Agency, pp. 60-88, Shiratori, pp. 133-46, and Yasuo Okamoto, "The Grand Strategy of Japanese Business," Japanese Economic Studies, 10, 4 (1981), 3-52.
- 18 A recent dispute between MITI and MPT (Ministry of Posts and Telecommunications) in the field of information is fully explained by Ezra F. Vogel, Comeback, Case by Case: Building the Resurgence of American Business (New York: Simon and Schuster, 1985), pp. 163-166. On p. 163 he characterizes MITI and MPT as follows: "The struggle between the aggressive, internationally experienced MITI and the more reserved MPT, accustomed to administering postal and telephone monopolies, pervades all aspects of telecommunication and computer policy."
- 19 The so-called "regression to conservatism" in the 1980s is mentioned and analyzed by Shiratori, pp. 21-69.
- 20 An analogy between the Japanese government-business relationship and the multi-divisional corporate organization is pointed out by William G. Ouchi, The M-Form Society (Reading, MA: Addison-Wesley, 1984). While we make use of a similar analogy here, our main purpose is to gain a new insight into the dynamic adjustment process of the government-business relationship in response to environmental changes in Japan.
- 21 Active employee participation in Japanese companies has been documented by many scholars such as Robert E. Cole, Work, Mobility, and Participation: A Comparative Study of American and Japanese Industry (Berkeley and Los

Angeles: University of California Press, 1979) and Richardson and Ueda, pp. 3-28. On the other hand, Ouchi articulates the consensus-making role of private business in its relation with the government in Japan by stating that "there are the MITI discussion councils, through which the voice of business is expressed not as a cacophony, but as one coherent participant in a national dialogue," Ouchi, p. 39.

22 Johnson, pp. 20-21.

23 The project team approach in Japanese business management has recently been emphasized by many authors, e.g., Keizai Dōyukai, 1990 nendai no kigyō keiei: shin-nihonteki keiei no sōzō (Business Management in the 1990s: Creation of New Japanese Management) (Tokyo: Keizai Dōyukai, 1985), Toyohiro Kono, "Strategy and Structure of Japanese Enterprises," Japanese Economic Studies, 13, 1-2 (1984-85), 88-90, and Charles Yang, Shin-nihonshiki keiei (New Japanese Management) (Tokyo, Daiyamondo-sha, 1986). Such a restructuring of business management is not restricted to Japan, but is universally observed, as pointed out by John Naisbitt and Patricia Aburdene, Re-inventing the Corporation (New York: Megatrends, 1985).

24 For the concept of innovative middle managers, see Rosabeth M. Kanter, "The Middle Manager as Innovator," Harvard Business Review, 60, 4 (1980), pp. 95-105, and for the declining role of traditional middle management, see Naisbitt and Aburdene, pp. 21-36.

25 These new concepts and trends have been intensively treated in the recent literature as follows: Kin-ichirō Toba and Toshimitsu Asano, Sengo nihon no keiei rinen to sono henka (Business Ideology and Its Changing Aspects in Postwar Japan), Soshiki Kagaku (Organizational Science), 18, 2 (June 1984), 37-51, Koh-ichirō Kobayashi, Soshiki bunka no kakushin to soshiki kaihatsu

- (Innovating Organizational Culture: OD Perspective), Soshiki Kagaku (Organizational Science), 19, 1 (April 1985), 55-65, and Munemichi Inoue, Soshiki kakumei (Organizational Revolution) (Tokyo: TBS Britannica, 1985).
- 26 There have recently been a large number of publications regarding "holonic" management in Japan. Some examples are as follows: Tarō Nawa, Holon keiei kakumei (Holon Management Revolution) (Tokyo: Nihon Jitsugyō Shuppan, 1985), Yasuhisa Hirashima, Horonteki kōkando keiei no jissen (Holonic, Super-sensitive Management Practices) (Tokyo: Nihon Nōritsu Kyokai, 1985), and Yukio Kitaya, Horonikku kanpanii (Holonic Company) (Tokyo: TBS Britannica, 1985). "Holon" is supposed to mean an organic combination of the whole (holos) and the parts (on), and the representative companies with holonic management in Japan include Honda, Bridgestone, Suntory, Kyocera, Maekawa, Recruit, Tateishi Electric, etc. These companies are said to be encouraging creative team activities such as "intrapreneuring," coupled with the strong leadership of top management.
- 27 The changing role of MITI and the corresponding change in the nature of its industrial policy are documented in the following literature: MITI, Japanese Industrial Policy (Tokyo: MITI, 1981), Hiroya Ueno, "Industrial Policy - Its Role and Limits," Journal of Japanese Trade and Industry (July 1983), 34-37, and Toshimasa Tsuruta, Sengo nihon no sangyō seisaku (Industrial Policy in Postwar Japan) (Tokyo: Nihon Keizai Shinbunsha, 1982). More recent trends in MITI's policy are explained by Sozaburo Okamatsu, "Japanese Computer Industry and Government Policy," Journal of Japanese Trade and Industry (March 1982), 22-28, and Keiichi Konaga, "Industrial Policy: The Japanese Version of a Universal Trend," Journal of Japanese Trade and Industry (July/August 1983), 18-23.

- 28 Recent changes in the relationship between top political leaders and bureaucrats in Japan are carefully studied by Inoguchi, pp. 179-91, and Nakamura and Takeshita, pp. 38-63. Also see Pempel, pp. 22-59, and Patrick and Rosovsky, pp. 753-811.
- 29 Political leadership in this area is considered crucially important, because "administrative reform" involving deregulation and privatization does not only deal with the efficiency and growth potential of the economy, but also directly affect the distribution of income and wealth in society, and it is the latter which tends to create serious political conflicts.
- 30 For Japan's "high-tech" strategy including the fifth generation computer project and the U.S. and European responses to it, see Edward A. Feigenbaum and Pamela McCorduck, The Fifth Generation (Menlo Park, CA: Addison-Wesley, 1983), Hiroshi Kiryu and Ryuhei Maruyama, AI sangyō saizensen (The Frontiers of the AI Industry) (Tokyo: Daiyamondo, 1986), Daniel I. Okimoto, Takuo Sugano, and Franklin B. Weinstein (eds.), Competitive Edge: The Semiconductor Industry in the U.S. and Japan (Stanford: Stanford University Press, 1984), and Robert B. Reich, "High-Tech Industrial Policy," Journal of Japanese Trade and Industry (July/August 1983), 31-33.
- 31 It should be noted that, while we have highlighted the similarity between governmental and private organizations, government agencies are generally much slower in adapting to environmental changes than private corporations are. Much of the change in the government-business relationship which we have described, therefore, has just begun to take place and will be most likely to continue for some time to come.

