

Chokki, T.
Professor Emeritus, Hosei University
Tokyo, Japan

JAPAN' S ECONOMIC MODERNIZATION AND THE MANAGEMENT TRANSFORMATION AFTER W. W. II

1. Postwar Japanese Modernization and Reform: the American Impact

In August 1945, Japan surrendered to the Allied Powers and the World War II was over. From that time to April 1952, a sequence of modernization in Japan was promoted by the American military administration, such as political democratization, the dissolution of the big combines, land reform, approval of labor unions, division of big companies, enactment of the Anti Trust Law, and emancipation of women.

During the War, Japanese economy was under the system called *Tosei Keizai* or “controlled economy”. Funds, prices, and wages were controlled according to the official plan made by the government. Japanese economy wasn't yet free. Though restrictions became gradually looser after the War, the power of government was still strong. It was after the '50s that Japanese society and economy modernized and democratized. But from the point of view of capitalistic economy, decentralization wasn't realized enough.

In April 1952, being independent of the US army, Japan came back to international economy. Japanese companies promoted rationalization. More and more Japanese products found their way into the world market. In those days, exchange rate for one dollar was fixed 360 yen; rate of yen was low, which was favorable for Japanese exports. First of all, Japanese goods went into the US market. After Japan was independent, Japan-USA

Security Treaty was concluded. Under the alliance, economical relationship of the two countries became closer. New technologies were introduced from US. Mutual visit of managers was more frequent. From the latter half of the '50s to the '60s and '70s, Japanese economy progressed and people's life level became higher year after year.

2 . Re-establishment of Basic Industry

In Japan around W.W.II, its heavy and chemical industries had already developed. Iron & steel, ship, and heavy machinery had been produced domestically, some of which had been exported. Since Manchurian incident in 1931, Japanese economy began to put stress on military production. The heavy and chemical production developed more.

And after the War, "Nippon Seitetsu" which had been established as a government combine in 1932, was divided into "Yawata Seitetsu" and "Fuji Seitetsu". They, as the core of iron & steel production, supported reconstruction of Japanese economy.

As for shipbuilding industry, during the War the production equipment was made larger in order to increase warship and munitions freighters. After the War it became depressed because of extinction of military demand. But in June 1956, the Egyptian president Nasr proclaimed to nationalize and secure the Suez Canal which had been possessed by Britain. Marine transportation industry was confused and began to reinforce the vessels Japanese shipbuilding companies got orders for freighters from domestic and foreign agents. From the '70s to the '80s in the world wide economic prosperity, oil demand increased rapidly Japanese shipbuilding companies launched many super tankers and

contributed to the development of technology and speed up of marine transportation. The age of Passenger cars: Production and Distribution

It is called “the age of passenger cars” when people came to have cars as their necessities of the life. It happened in the '20s . The age was led by American car makers, such as Ford Motor, GM, and so on. The products amount of Ford and GM was huge; the equipment and the car design were outstanding. These two companies, establishing the subsidiary in the '20s, started modernized car production in Japan . Ford's factory was in Yokohama and GM's in Osaka, where they began to produce cars and trucks with knock-down way. However, in the '30s, military control over Japanese economy brought about big change to the car industry . Ford and GM were prohibited from making automobiles in Japan.

After the War, American car makers never came back. Japanese car makers which started the operation during the War continued to be active. Main users of the wheel were taxi companies. Cars possessed by persons, government offices, or companies were still a few. Car makers such as Toyota, Nissan, Isuzu, and so on intended to produce a car which could satisfy taxi companies by technical development, rationalization of production, and improvement of design, and tried to secure domestic market. But it was not easy work. Some Japanese makers contrived to make a suited car by being tied up with foreign auto-makers; which were done as follows. Nissan-Austin(UK), Isuzu-Hillman(UK), Hino-Renault(France). As for Toyota, at first, they intended to be tied up with Ford(US)

and sent some trainees. But after all, the plan failed. They created their own car by themselves. The new car named "Toyopet Crown" came into the market in 1955.

About the same time, Nissan also produced a small car as a fruit of the tie-up with Austin. The car named "Blue Bird" made debut into the market. Its body modeled by an Italian designer was contrastive with American styled "Crown". Toyota and Nissan had fierce competition for car sale. Not only taxi companies but also common users increased. Price reduction made it possible for common users to buy their cars. In the '60s and the '70s, Japan also came to enjoy "The age of passenger cars".

Why is increase of production and distribution of cars important? Because they make people's social life change. Cars are the most important durable consumer goods. They bring new life style to persons who take a car into their home and use it frequently in daily life. Already in the '20s the United States watched such change. W.W.Rostow, an American economist, told this story in his book published in 1960 (Reference [3] p.77).

Furthermore, cars have aroused severe competition for new products and sales price among the enterprises. In Japan also, the development of car industry has influenced the behavior of customers and auto-dealers.

4. US-Japan Compared: Difference and Resemblance

It is evident that between US and Japan there is a big difference concerning culture and history. S.D.Cohen, an American economist, pointed out this difference in his book (Reference [5] p.98). Culturally and historically speaking, his comment is true. But I

explained in Section 1; after World War II, concerning political and economical systems, Japan resembles much to US owing to postwar modernization and economic reform. When we discuss the economic matter, we should take note of the resemblance of the two countries. The economic resemblance tends to cause the severe problems; competition, friction, antagonism, and so on. This was what actually happened between US and Japan for the two decades from the '70s to the '80s.

5. Management Transformation: Japanese way of Auto-production Prevailed

Since the end of W.W.II, Japan was on good terms with US. Politically Japan and US were on the same camp. But for the two decades from the '70s to the '80s, US and Japan had a severe dispute on the trade problem. The crucial point was the big imbalance of trade between these two countries. As for industrial product trade, Japan exported much more to US than she imported from the counterpart. American trade deficit with Japan was increasing on since 1970. This was a serious problem for American government. They demanded Japanese counterpart to import American industrial products more. But the results were poor. Instead, Japanese industrial products, such as machine tools, specialty steel, color TVs, semi-conductors, and passenger cars, flooded into American market. S.D.Cohen described in his book that the upsurge in TV imports truly was dramatic and significant (see, Reference [5] p.29).

The situation in the case of passenger cars has been almost the same with color TV sets. Japanese auto-manufacturers began to export their products to US around the

mid-'60s. They were small- sized cars. At first American users welcomed Japanese products, which they bought as the second and the third car for their family members. Japanese cars were low-priced and fuel-economical. After the twice "Oil Crises" in the '70s, the home- made American full-sized passenger cars became unpopular, and the imported foreign small cars increased. Imported Japanese cars to US reached a quarter of the whole car supply in 1980. The American auto-industries concerned were astonished at this figure. Many auto-workers lost their job, and had a strong dislike for Japan.

But at the same time Japanese auto-companies began to establish their oversea factories in US. It was around the '60s. The forerunner was Nissan, followed by Honda. Toyota Motor was late in constructing their oversea factory in US. The number of Japanese factories at the beginning of the 21st century was 16 (see, Reference [7] p.25). Their operations were car-assembling, truck-manufacturing, and engine-production. Two or three companies were joint-ventures with American auto-manufacturers, but the rest of them were Japanese auto-companies' subsidiaries. Speaking of production methods, they basically accepted Japanese styled auto-manufacturing; i.e. team- work, JIT (Just- In- Time), QCC (Quality Control Circle), multi-job working, and cooperative system. I want to call this phenomenon management transformation. These methods were formed in Japan and transformed to US during the latter period of the 20th century. This was a kind of management innovation, which served the re-birth of auto-industry in the world.

6. New Trends: Corporate Governance and FTA· EPA

In the course of economic development, systems and technologies of management have been created and changed. Balance of power in organization also is changing. Corporate governance is a new idea of relationship between the management and stockholders. The idea of corporate governance has come from American business philosophy, in which interest of ownership is evaluated more than that of the management.

In the case of Japanese business management, the basic idea was ordinarily group-oriented. The management has been supported by the financial organization, which was often called "main bank". The main bank had the power to exclude and prevent the influence of the other financial groups in order to ensure the authority of the management in the same group. But recently, "the main bank system" has weakened. Instead, some fund, be domestic or international, has now strong voice in the stockholders meeting. Sometimes the management are obliged to accept the proposal made by the fund as a big stockholders. The traditional Japanese business philosophy of "wa" (harmony) is gradually diminishing.

The other trends, FTA & EPA, are an official economic tie-up between countries to achieve their economic development on the international basis. FTA stands for Foreign Trade Agreement, while EPA is an abbreviated form to Economic Partnership Agreement. Both are aiming almost the same objectives; i.e. development of trade, economic cooperation, and advancement of productivity as a whole. In 2002 the EPA between Japan and Singapore was concluded. It was Japan's first agreement of this kind. In 2007 the agreement of ASEAN-Japan Comprehensive Economic Partnership was signed.

7. Concluding Remarks. The Tendency toward “one world market”

In recent world economy, globalization has been making much more progress. Economic tendency is toward one world market. Since “cold war” was over and social barrier between East and West was dismantled, the world economy has got into one market. The barrier which controlled the movement of fund, technology, and competent persons has become lower. Industrial goods came to be produced at the most suitable place and soon delivered by land, by ship, or by air to places where the goods are needed. So did transmission of information. Generally speaking, economic growth has become speedy. Both hardware and software are getting more and more abundant.

REFERENCES

- [1] J. Livingston, *et al.*, Postwar Japan:1945 to the Present, Pantheon Books, 1973.
- [2] M.Shinohara, Industrial Growth, Trade, and Dynamic Patterns in the Japanese Economy, University of Tokyo Press, 1982.
- [3] W.W.Rostow, The Stages of Economic Growth, Cambridge University Press,1990.
- [4] S.D.Cohen, Cowboys and Samurai: Why the United States Is losing the Industrial Battle and Why it matters, Harper Business,1991.
- [5] Japan Automobile Manufacturers Association, Inc., The Motor Industry of Japan 2004.