Japanese Culture
Japan in comparison with United States

<table>
<thead>
<tr>
<th>Category</th>
<th>Japan</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>54</td>
<td>40</td>
</tr>
<tr>
<td>Individualism</td>
<td>46</td>
<td>62</td>
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<tr>
<td>Masculinity</td>
<td>91</td>
<td>95</td>
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<tr>
<td>Uncertainty Avoidance</td>
<td>92</td>
<td>46</td>
</tr>
<tr>
<td>Long Term Orientation</td>
<td>88</td>
<td>26</td>
</tr>
<tr>
<td>Indulgence</td>
<td>42</td>
<td>68</td>
</tr>
</tbody>
</table>

Geert Hofstede (2001)
Power Distance

• The degree to which the less powerful members of a society accept and expect that power is distributed unequally.

• Accept a hierarchical order in which everybody has a place and which needs no further justification or strive to equalize the distribution of power and demand justification for inequalities of power.

• Japan 54, USA 40
Individualism

• A loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families vs a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.

• Japan 46, USA 91
Masculinity

- preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive.
- preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.
- "tough versus tender" cultures
- Japan 95, USA 62
Uncertainty Avoidance

- Do members of a society feel uncomfortable with uncertainty and ambiguity?
- Some maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas.
- Others have more relaxed attitudes in which practice counts more than principles.
- Japan 92, USA 46
Long Term Orientation

• prefer to maintain time-honored traditions and norms while viewing societal change with suspicion.

• encourage thrift and efforts in modern education as a way to prepare for the future.

• Japan 88, USA 26
Indulgence

- relatively free gratification of basic and natural human drives related to enjoying life and having fun
- suppresses gratification of needs and regulates it by means of strict social norms
- Japan 42, USA 68
Japanese Culture

I. Principal Differences
   A. Group vs Individual
   B. Long-term vs Short-term
   C. Grey vs Black & White

II. Corollary Differences
   A. Self-Deprecation vs Self-Assertion
   B. Mutual Dependence vs Mutual Independence
   C. Conflict Avoidance vs Conflict Dynamism
   D. Public Life vs Private Life
   E. Spiral vs Linear

III. Other Differences
   A. Equality and Inequality
   B. Directness and Indirectness
   C. Practicing and Preaching
   D. University vs Do (道)
Japanese Culture

I. Group vs Individual

J: members of various groups (family, work, club, neighborhood organization)

A: individuals separate and complete by themselves (be true to yourself)

J: values are defined in terms of a group context, virtues and talents valued in terms of usefulness to group, “human rights” refer to “social rights”

A: “human rights” refer to “individual rights”
Japanese Culture

II. Long-term vs Short-term (nature of human relationships)

A: relationships are voluntary, conditional, temporary

J: relationships are long-term or life-long
   mother-daughter, teacher-student, sempai-kohai

A: buy now, pay later

J: save now for children (kodomo no tame ni)
Japanese Culture

III. Grey vs Black & White
  A: heaven and hell, good and evil, guilty and not guilty, democrats and republicans, pro-life and pro-choice
  J: some things are right or wrong under certain circumstances some of the time, everyone is partially guilty, every situation is different, no absolutes
Japanese Culture

1. Self-deprecation vs Self-assertion
   J: value self-deprecation
   - not individuals, but part of supporting group
   - try not to stand out, show no selfish delusions of independence
   - others must say complementary things about you
   A: value self-assertion
   - group activity is the independent efforts of individuals
   - each individual must show what they are contributing
Japanese Culture

2. Mutual dependence vs Mutual independence

A. taught to be independent, self reliant, to show dependence indicates weakness

J: no one can exist without the help of others, view human society in terms of mutual dependence, mutual obligation and willingness to help is expected, and can’t be refused
3. Conflict avoidance vs Conflict dynamism

A: “adversary system” of mutual confrontation is a social catalyst, social issues are debated in public forums, lots of lawyers

J: people try to avoid conflict because relationships are life-long
Conflict avoidance

• Never say “no” explicitly, “yes” means “I understand”
• Avoid expressions of personal opinion for fear of creating conflict
• After conflict, apologize and accept blame as a social lubricant, to keep things running smoothly
• Remove all possible opposition quietly and privately before a public meeting, so no real discussion at meetings
4. Public life vs Private life

A: public life and private life, work life and social life are separate, and do not carry over
- boss and subordinate are social equals in private

J: all the same, so official work status carries over to all areas of life
- boss will be concerned about family affairs
Japanese Culture

5. Spiral vs Linear
   A: straight-line logic, get straight to the point
   J: approach subject in a spiral way, take into consideration all conceivable facts and ideas, gradually focus on subject
Japanese Contextualize

• Group together two of the three words
  – Seagull, sky, dog
  – Pen, notebook, magazine
• Michigan fish bowl experiment
  – Japanese: 70% more comments on background, twice as many comments about sand, rocks, shells
  – Americans: if it doesn’t move, it doesn’t exist
• Al Bloom study
Equality

• More equality in Japan because…
  1. Distribution of income
  2. Everyone has the same potential to succeed
  3. Per capita school expenditures are the same in every school
  4. Yin and Yang
  5. Man and nature
Equality

• Less equality in Japan because
  1. Extremely hierarchical society
  2. “All men are created equal” in the U.S.
  3. Confucian roles for everyone in society
  4. Very formal society
Directness

• Japanese are more direct…
  - Personal questions about age, marriage, children, sex, etc
  - Ask group-oriented background questions
  - Americans view these as too “personal” because people are viewed as individuals, not members of groups
Directness

• Japanese are less direct…
  – Uncomfortable with questions of personal opinion
  – Americans consider opinions to be “impersonal”, everyone is expected to have an opinion
Directness

When you decline an invitation….

J: excuse is direct, refusal is indirect
   “well, my wife is ill….”
A: refusal is direct, excuse is indirect
   “no, I can’t…”
Preaching and Practicing

• Japanese talk more in some ways
  – More formal “aisatsu” (greetings)
  – Grey view of life, so they explain all conceivable facts and ideas before gradually getting to the point

• Japanese talk less in most ways
  – Avoid verbal explanation in expression of opinions
  - “Talk is cheap” and tends to distort reality
  - What one does is more important than what one says
  - What is left unsaid is more important than what is said
University vs Do (道)

- Western University (universe)
  - Renaissance man, polymath, an outstandingly versatile, well-rounded person, expertise spans numerous subject areas, Leonardo da Vinci

- Eastern Do (道) “way of life”
  - kendo, shodo, chado, bushido
  - the Way, the Tao, the Dao, the way of nature and/or the ideal way to live one’s life
Postwar Economy

Reconstruction
Postwar Japan

“It is unlikely that Japan can recover economically without the restoration of trade with northern Korea, Manchuria, and China proper…. Add to this situation the heavy cost of rebuilding her cities and reconstructing her damaged and disrupted industries and the resulting picture is one of almost unrelieved gloom.”

*Edwin O. Reischauer, 1950*
General Douglas MacArthur, as Supreme Commander of the Allied Powers (SCAP), could issue directives, both formally and informally, that had to be obeyed by the Japanese leaders and populace.
Reconstruction in Japan

After the WWII the Japanese economy was a disaster

– 7.6 million people came back to Japan, but there were no jobs
– High unemployment and underemployment
– Cities destroyed by bombing and fires
– People flooded the agricultural sector
– Coal production was far too low
  • Had been mined with forced Korean and Chinese labor, but this ceased
Post-war Inflation

- Reconstruction Finance Bank (Jan 1947)
  - Issued bonds bought by BOJ
  - Subsidized key industries
  - Made loans to public corporations
- Reconstruction Finance Bank, IBJ, and Wartime Finance Bank were lending money freely to firms
  - 1/3 of all bank lending 1945-1949
- Massive inflation
  - Return of price system lead to massive inflation
  - Government was printing money to pay debts
# Money Supply Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Currency in Circulation In Millions of Yen</th>
<th>Price Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>5.2</td>
<td>1.00</td>
</tr>
<tr>
<td>1941</td>
<td>6.8</td>
<td>1.07</td>
</tr>
<tr>
<td>1942</td>
<td>8.0</td>
<td>1.17</td>
</tr>
<tr>
<td>1943</td>
<td>11.2</td>
<td>1.25</td>
</tr>
<tr>
<td>1944</td>
<td>18.9</td>
<td>1.41</td>
</tr>
<tr>
<td>1945</td>
<td>56.7</td>
<td>2.13</td>
</tr>
<tr>
<td>1946</td>
<td>94.9</td>
<td>9.91</td>
</tr>
<tr>
<td>1947</td>
<td>220.9</td>
<td>29.34</td>
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<tr>
<td>1948</td>
<td>356.8</td>
<td>77.96</td>
</tr>
<tr>
<td>1949</td>
<td>358.0</td>
<td>127.22</td>
</tr>
<tr>
<td>1950</td>
<td>425.4</td>
<td>150.40</td>
</tr>
</tbody>
</table>
Postwar Banking Crisis

• During war, banks served munitions companies but could not evaluate risk

• Enormous amounts of bad debt
  – Munitions companies were owed money from government
    • SCAP pressured the government to default on payments
    • ¥66.9 billion
  – Banks held government guaranteed corporate bonds, but government dropped guarantees
    • ¥19.8 billion
  – Cancelled ability of banks to collect from losses arising from forced loans to munitions companies
    • ¥5 billion
  – Total banking losses were on the order of 20% of GNE

• Nevertheless, financial cleanup of banks proceeded quickly and was completed by 1948
The Dodge Plan

System ended with Dodge Plan in 1949

- Joseph Dodge, a Detroit banker, becomes financial advisor to SCAP
  - Dodge had drafted the West German currency reforms of 1946-47
  - Strong believer in free markets
- Main policies
  - Balanced budget
    - Actually generated surpluses
  - End loans from reconstruction bank
  - Termination of all subsidies
  - Set exchange rate at ¥360 = $1
- Lead to big drop in inflation
- Economy goes into deflationary spiral
- Economy is in recession
Exchange Rate Policy

• Prior to Dodge, Japanese government experimented with exchange rates
  – Used a rate of ¥500-600 for exports and ¥100 for imports
  – Provided an “invisible subsidy” for exports
• Dodge had set the exchange rate to ¥360 but yen was still overvalued
• Japanese government also set up a foreign exchange allocation system
  – Drew up quarterly import budgets and then allowed certain companies access to foreign currency
  – Becomes an important mechanism to control firms
Korean War

- 1950-1953
- Japan was used as a base for US and UN
- Increased aggregate demand and pulled Japanese economy out of recession
Postwar Economy

• 1950-1974 Rapid Growth
  – Investment led growth and export led growth
  – High savings rate → high investment rate (30-35% GNP)
    • Investment brings in new technology
    • No need to borrow from abroad because of high savings
    • Capital controls kept savings at home
  – Sound monetary and fiscal policies
  – World prices of raw materials and agricultural commodities were relatively low
    • Japan had to import these
Postwar Economy

• 1950s and 1960s
  – Foreign exchange (FX) reserves set a ceiling on growth
  – Growth → more imports
  – Exports depend on foreign incomes
  – So high growth leads to FX constraints under fixed exchange rates
  – Economy slowed down when FX constraint reached

• 1970s
  – Aggregate supply constraint
    • Technical progress, capital and labor inputs
Economic Reforms
Occupation 1945-1952

1. Anti-trust measures
2. Land reform
3. Labor reform
4. Educational reform
5. Political reform
6. Banking and financial institutions
7. Administrative guidance
Anti-trust measures

- End of war – major zaibatsu groups hold 40% of equity
- Occupation forces zaibatsu to auction off the shares owned by their holding companies
- Zaibatsu technically dissolved 1946, 1947
- Elimination of excessive concentration of economic power 1947
Zaibatsu Dissolution

• In 1947 holding companies were banned
  – Companies prohibited from holding each other’s shares
  – Banks limited to holding 5% of any company
• In 1949 law was revised to prohibit holding competitors’ shares
• 1953 banks allowed to hold 10% of shares (now 5%)
• Zaibatsu leaders were banned from activity in financial sector
• Created a governance crisis in most zaibatsu
  – Restructured companies were forced to appoint managers from inside firm and from their banks
• President’s clubs emerged among formerly affiliated companies
  – President’s clubs were monthly or bimonthly meetings between the major companies of the former zaibatsu
Anti-trust measures

• Anti-monopoly law – made markets more competitive
• Tension between adequate scale and undue concentration
• MITI (Ministry of International Trade and Industry) pushed revised anti-monopoly law 1953
  – legalized “cartels” for rationalization or recessions
    • Initiated by Ministry with consent of JFTC (Japan Federal Trade Commission)
    • Cover price and quantity
  – MITI also encourages mergers
    • Nissan and Prince Motor Company
Anti-Trust

• 1971 – major modern industries remained concentrated
  – Overall less concentrated than US
  – >50% in firms with less than 100 workers
  – <25% in firms with less than 100 workers in US
• Some zaibatsu come back together as keiretsu
  – Interlocking directorships
  – Inter-company shareholding
  – High-level executive consultation
  – Big city bank holds central position
    • Several are successors to old zaibatsu banks
Land Reform

• Land confiscated from absentee landlords
  – Sold to tenant farmers at bargain prices
  – % land cultivated by tenant farmers
    • 46% in 1946
    • 10% in 1950

• Equalizes wealth distribution and creates middle class
  – Income equality and political stability

• But small lot sizes prevents taking advantage of economics of scale
  – Now agriculture is heavily subsidized with numerous controls

• 1970 farm workforce
  – 17% Japan
  – 4% US
<table>
<thead>
<tr>
<th>Country</th>
<th>Gini Coefficient</th>
<th>Country</th>
<th>Gini Coefficient</th>
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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>27.49</td>
<td>India</td>
<td>40.22</td>
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<tr>
<td>Netherlands</td>
<td>27.68</td>
<td>Tanzania</td>
<td>41.56</td>
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<td>Finland</td>
<td>29.40</td>
<td>Thailand</td>
<td>41.80</td>
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<td>29.56</td>
<td>Sudan</td>
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<td>30.23</td>
<td>Argentina</td>
<td>43.45</td>
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<td>Germany</td>
<td>30.37</td>
<td>United States</td>
<td>43.49</td>
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<tr>
<td>Belgium</td>
<td>30.84</td>
<td>Trinidad</td>
<td>43.80</td>
</tr>
<tr>
<td>Ireland</td>
<td>31.08</td>
<td>Sierra Leone</td>
<td>43.87</td>
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<td>Yugoslavia</td>
<td>31.11</td>
<td>Chile</td>
<td>44.38</td>
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<td>United Kingdom</td>
<td>32.19</td>
<td>Philippines</td>
<td>45.34</td>
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<td>Israel</td>
<td>32.61</td>
<td>Costa Rica</td>
<td>48.10</td>
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<tr>
<td>Sri Lanka</td>
<td>34.02</td>
<td>Venezuela</td>
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<td>Bangladesh</td>
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<td>Malawi</td>
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<td>Hong Kong</td>
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<tr>
<td>Australia</td>
<td>39.75</td>
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Lorenz Curve, Gini Coefficient, Income Inequality

World Development Report 1984
Labor Reform

• Occupation revived labor unions in Japan
  – Unionization rises quickly
    • 1945  3.2%
    • 1948  53%
  – Strikes and labor-management conflicts increased
• By 1950 occupation ends support for unions
  – Fear radical and communist elements
• By 1960s unions adopt “familial” labor management relations (enterprise unions)
# Labor Reform

<table>
<thead>
<tr>
<th>WEST</th>
<th>JAPAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide craft and industrial unions</td>
<td>Enterprise unions</td>
</tr>
<tr>
<td>Excludes white collar workers</td>
<td>Includes lower supervisors</td>
</tr>
<tr>
<td>Equal pay for equal work</td>
<td>Wage, bonus, &amp; allowances</td>
</tr>
<tr>
<td></td>
<td>Depends on firm size, age, seniority, gender, education, status (regular or temporary)</td>
</tr>
<tr>
<td>Insist on union shop</td>
<td>Ignore temporary workers &amp; subcontractors</td>
</tr>
<tr>
<td>Long strikes which hurt firm</td>
<td>Unions worry about competitive position of the firm</td>
</tr>
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</table>
Labor Strikes

Strikes in Japan have a “ceremonial quality”

- In 1971 there were 6,082 labor disputes
- Of these, 4,653 lasted less than 4 hours
Education Reform

- Adopt American model
  - Primary school (6 years) required
  - Junior high (3 years) required
  - High school (3 years) optional
  - College (4 years) optional

<table>
<thead>
<tr>
<th>1967</th>
<th>Japan</th>
<th>U.K.</th>
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</thead>
<tbody>
<tr>
<td>In school until age 18</td>
<td>70%</td>
<td>40%</td>
</tr>
<tr>
<td>Go on to college</td>
<td>16%</td>
<td>10%</td>
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## Education Reform

### School Days

<table>
<thead>
<tr>
<th>Country</th>
<th>Days/year</th>
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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>240</td>
</tr>
<tr>
<td>United States</td>
<td>180</td>
</tr>
</tbody>
</table>

Students continue studies for better jobs and higher pay.
Political Reform

• New constitution
  – People (not emperor) are sovereign
  – Women given right to vote
  – Renunciation of war
  – Military forces permanently banned

<table>
<thead>
<tr>
<th>Military expenditures as % GNP (1970)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>0.8</td>
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