

Japan's Capitalism in Systemic Transformation

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1. My Encounter With American Capitalism

During my university and graduate-school days I majored in economics, and more specifically in international finance, but I also had a very keen interest in the different forms of capitalism seen in various countries of the world and took it upon myself to read extensively in this field. I was particularly attracted to the concept of “people’s capitalism,” which had been introduced in the book I read then.

In later years, I was given the chance to study in the United States through a Fulbright Scholarship, and still later, I was assigned to work at the Japan-U.S. Trade Council. Thus, I had the valuable opportunity of studying and working in the United States for a total of four years. My four years of experience in this country brought to life all the reading that I had done as a university student on the subject of American capitalism.

What I saw in America was quite different from the Japanese version of capitalism with which I was familiar. Perhaps the most salient feature of the Japanese version was the leadership role played by the government and bureaucracy in nurturing new industries and promoting economic development, a feature which dates back to the Meiji Restoration of 130 years ago. The Japanese bureaucracy is very deeply involved in the process of managing the economy and it would be no exaggeration to state that the responsibility of governing the nation has in effect been delegated to the bureaucracy. Because of these features, late Prof. William Lockwood labeled the Japanese form of capitalism as “sponsored capitalism.” What he meant was that the capitalistic system in Japan rested on the shoulders of the government and the bureaucracy who essentially acted as the sponsors and chaperones of the system.

When I first arrived in the United States, I was stunned by the American capitalism that I

saw. Thanks to my post graduate studies, I had an intellectual understanding of the system, but that had not fully prepared me for the vast and fundamental contrast between the capitalist systems of our two countries. This contrast had a very powerful and indelible impact on me and I remember those feelings of initial shock as if it were only yesterday. I was made to realize that, in the case of American capitalism, the private sector had taken initiative from the very start and that the system had developed according to the dictates of the market. In the United States, the market-orientation of the system is almost absolute. This provides fertile grounds for the germination of successive generations of venture-type businesses which send out their youthful and vital shoots to eventually develop into major enterprises. One of the important features of American capitalism in fact is that such new businesses are given an expansive arena for activity, while the stock market acts as a source of energy which constantly replenishes this vital process of growth. This stands somewhat in contrast to the case of Japanese and German companies which have depended to a large extent on the support of the credits and loans markets, and particularly the banks.

I have summarized the main differences in the Japanese and American versions of capitalism and will use the overhead projector to present this exhibit. Because of its many similarities with the British model, American capitalism has sometimes been referred to as the “Anglo-American type.” On the other hand, the Japanese version shares many similarities with the German model of capitalism. However, many differences do exist between Britain and the United States, and Japan and Germany. Therefore, I will be using the appellations of the “American type” and the “Japanese type.”

2. The Present Status of Capitalism

Thus far, I have focused on the differences between the Japanese and American versions of capitalism. Next, I would like to comment briefly on the current status of capitalism in the world.

Francis Fukuyama has used the expression “the end of history” to argue that the age of ideological conflict has come to an end. Of course, many counter-arguments have been made against Fukuyama’s thesis, but personally I feel that Fukuyama is generally on the mark.

While the Soviet Union was still going strong and the forces of capitalism and socialism were locked in an ideological combat for hegemony, the capitalistic societies of the world actively integrated the positive aspects of socialism into their own systems, paying special attention to welfare and education. That this led to the massive expansion of administrative structures is, of course, undeniable. As opposed to this, the socialist nations remained obsessively involved in ideology. As a result, they neglected to study the capitalistic system and to adopt its strong points. I believe that this difference in attitude was one of the main factors leading to the total victory of capitalism today.

As Lester Thurow and many other experts have pointed out, socialism has collapsed, welfare policies are regressing, and it has become clear that non-capitalistic economic systems are not viable.

Today in the global economy, the configurations of power are being re-drawn in accordance to a competitive process based on the rules of capitalism. For instance, the concept of the “third world” which existed in the past has been nullified and rendered mostly meaningless. In other words, the global economy is now revolving around the single point of whether you are a

winner or a loser in the international competition being fought according to the rules and principles of capitalism. In political terms, China is of course a major communist power. But in economic terms, China is just another player in this global game.

Capitalism has won its position as the universal economic system for the entire world. However, this does not mean that we have a single and indivisible form of capitalism. The fact of the matter is that numerous differing styles and manifestations of capitalism can be identified throughout the globe. I have already briefly summarized the features of the American and Japanese types of capitalism, but my point is that various other types can be observed. For instance, there is a German type, a French type, and an Anglo-American type which combines the capitalism of Britain and the United States. By the same token, there is a Japanese-German type which combines the capitalistic forms of Japan and Germany, or a Rhine type which combines the German, Austrian and Swiss types. In other words, the many versions of capitalist which we observe throughout the world today can be ordered in many possible categories. I suspect that in time we will have other additional and unique categories, such as the Chinese and Russian types of capitalism.

Thus, we have quite a broad spectrum of capitalistic systems in operation in the world today. It is not really the point to determine which is the better version. These various types of capitalism are constantly interacting and evolving through a process of trial and error. No doubt, many failures and successes will be experienced in this process. One example of successful interaction and evolution is the remarkable re-engineering accomplishments of American corporations said to have based on Japanese approaches. To cite an instance of failure, we have had the unfortunate Japanese experience with the speculative “bubble economy” of several years

ago.

3. Reform in Japan and Transformation of Japanese Capitalism

Japanese Capitalism and its Negative Legacy

It seems this discussion of the types of capitalism has sidetracked me from my subject today which is “Japan’s Capitalism in Systemic Transformation.” But rest assured, I shall remain on course from here on.

The reason I have dwelt on the types of capitalism and the present status of capitalism is that I believe that the very serious situation which Japan faces today is closely related to the defects in the version of capitalism which has evolved in Japan. My previous comments are intended as a background to explaining this point.

After the war, Japan’s *zaibatsu* corporate groups were dissolved under the U.S. occupation. At least in terms of corporate ownership, this signaled Japan’s shift to an American model of “people’s capitalism.” However, the General Headquarters (GHQ) of the occupying forces acted to preserve the bureaucracy. As a result, the same prewar pattern of “sponsored capitalism” survived and flourished in postwar Japan. The bureaucratic powers of regulation and administrative guidance based on a system of licensing and approval allowed Japan to retain the same characteristics of a bureaucratically administered nation.

There was a time, prior to World War Two, in which Japanese capitalism also began to develop a market orientation. This trend was especially strong during the ten some years that came after World War One. The era of militarism then arose, and Japan’s wartime “national mobilization program” was instituted around 1940. This program, as Professor Noguchi has

argued, was used as the prototype for building Japan's present economic system. In other words, Japan's present economic system has inherited many of its institutions and its general mentality from the wartime economic system.

Half a century has passed since the end of the war. During all these years, Japan has grown and developed while retaining the same prototype of "sponsored capitalism" which came into being during the Meiji Era. Japan was able to achieve its high pace of economic growth which earned it the appellation of the "miracle of Asia" within the framework of a capitalist system which was lead by the government and the bureaucracy. It cannot be disputed that this system generated tremendous wealth and unprecedented prosperity for Japan.

However, even while Japan was reveling in this new-found prosperity, that same capitalistic system which was responsible for this success was gradually eating into vitals of the Japanese economy and society. Excessive government intervention and inordinate levels of administrative guidance saw to it that the Japanese economy would take on a high-cost structure, while at the same time robbing the economy of its vitality and generating such structural defects as insularity and lack of transparency. The ongoing "Heisei Recession" is said to have started in May 1991, but the Japanese economy is yet to muster up the force to escape the clutches of this economic downturn. This unhappy situation persists even though the business cycle has had enough time to play itself out and the financial institutions have a degree of progress in recovering from the losses incurred after the collapse of the speculative bubble. These facts indicate that Japan's present economic malaise is far more deeply rooted in the fundamental and structural problems of the economy.

Japan's present-day political and economic systems have worked their way into a

dead-end. I would like to mention several specific problems which have been caused by this serious dilemma. One of our problems is that competitive principles do not function properly in many of our industries. It is estimated that these sectors account for roughly 40 percent of the whole Japanese industries. By contrast, it is estimated that regulated sectors account for about 7 percent of the U.S. GNP.

Another problem involves the issue of “state-owned enterprises” which include the “three businesses” of the Posts and Telecommunications Ministry (namely, postal services, postal savings and insurance) and the 88 government corporations many of which have outlived their usefulness and must now undergo radical downsizing and reorganization.

The so-called “1955 regime” has already collapsed, and the triangular cooperation of the government, industry and the bureaucracy which symbolized Japan’s economic power has already become a thing of the past. Against this background, efforts are now being made to review and to revamp the system of Japanese capitalism. Now is the time for Japan to bid adieu to its legacy of “sponsored capitalism” and to undertake the structural transformation which will redirect it toward a market-oriented “people’s capitalism.” What Japan desperately needs now is, as the subject of my talk today indicates, a systemic transformation. It must also be noted that Japan finds itself in the midst of a tidal wave of change which cannot either be stopped or deflected.

It is no exaggeration to say that the prosperity of Japan during the 21st century hinges on the successful implementation of fundamental structural reforms and the transition to a new socio-economic system which must be undertaken during the coming few years. It is absolutely essential for Japan to go through with its program of liberalization and the lifting of regulations, and it is absolutely essential for Japan to achieve structural transformation in the three vital areas

of administrative reform, fiscal reform and tax reform.

The unfortunate truth is that Japan's past efforts at reform have not been sufficient. The most serious stumbling block is that Japan has focused its attention on changing institutions while failing to correct the mentality which places the bureaucracy on a pedestal while deprecating the importance of the private sector.

As you may well know, the Maekawa Report which was issued in 1986 called for a thorough structural transformation of the Japanese economy. The Report strongly urged a reduction in export-dependence as a means to defusing the serious trade and economic frictions which marred Japan's relations with the rest of the world. Furthermore, the Report emphasized the importance of expanding domestic-demand, improving market access, promoting imports, promoting the liberalization and globalization of the financial markets, and reforming Japan's tax system. Ten years have passed since the Maekawa Report was written, and it is only now that Japan is beginning to implement these recommendations in earnest.

Japanese capitalism is scheduled for major surgery. When it emerges from the operating room, it must be more open, it must be more vigorous, it must be more competitive, and it must be transformed into a market-oriented "people's capitalism" which is more compatible with international norms. Japan today is in the middle of a transition from an old system to a new one.

Faced with the need for thorough change, some of you may have some doubts as to what may happen to the Keidanren in the future. I would like to state that the Keidanren has made a concerted and powerful effort to lobby the government for deregulation and the implementation of competition policies. However, the role of the Keidanren is far from over. The Keidanren remains influential with the ruling as well as opposition parties, and in my opinion, the Keidanren

will have a very important part to play in the structural transformation of Japanese capitalism. Regarding the specific contributions which the Keidanren can make to this process, I intend to examine this question in greater detail later.

The Logic and Ethics of Japanese Capitalism

- The Changing and Unchanging Aspects of Japanese Capitalism

Let us assume that Japan succeeds in these reforms and Japanese capitalism is in fact transformed. Notwithstanding this transformation, we can predict that various aspects of the economic system which are influenced by Japan's particular culture and social framework will still remain. This will hold true on both macro-economic and micro-economic levels. That is to say, Japan's capitalistic system may change, but that does not mean that it will become the same as the American version, the reason being that our differences in history, culture, and social framework will not disappear.

Capitalism can be said to have two norms. The first of these norms concerns the inexorable "logic" of the principles of capitalism which can be uniformly applied to the entire world. The other norm is that of "ethics," a norm which is directly influenced by the culture, society and traditions of each individual country. To borrow the phraseology of Paul Kennedy, this setting provides for a contest between the forces of globalization and fragmentation. While capitalism is a product of civilization, the Japanese or American models of capitalism carry with their cultural elements.

To a certain degree, all types of capitalism share a common logical foundation; however, there is significant diversity in the area of ethics and practice. For instance, in business the word

“stakeholder” is used to refer to those participants who stand either to gain or lose in the conduction of a business. It is a term that covers stockholders, workers, clients and business partners, and consumers. Within this context, the relationship between the stockholder and the corporation is a concept that is shared among all countries. This aspect, I believe, corresponds with the logical basis of capitalism. However, the view that corporations have of these various participating parties is dictated by the social and cultural background involved. It will therefore vary in each country. This aspect corresponds with the ethical component of capitalism. Because of the ethical framework here in Japan, Japanese corporations tend to place a high priority on workers.

And so, even within a single concept such as “stakeholder,” we find the coexistence of both logical and ethical components of capitalism. Hence, it is not easy to find a clear and concrete demarcation between the logical and ethical contents of the capitalistic system of a particular country. This point merits close attention.

The question arises: How extensive is the commonality among the varying types of capitalistic systems? This is a very difficult question to answer. In my personal estimation, two-thirds of the Japanese version of capitalism belongs to the sphere of logic and principle. My intuition tells me that global integration and uniformity can be achieved in this portion of our systems. Let me use the case of Japan’s reform programs to illustrate this point. Such areas as deregulation, the Big Bang in the financial markets, administrative and fiscal reforms and the structural reform of the economy represent areas in which change is possible. On the other hand, aspects of our ethical framework, such as various elements of the Japanese economic system which are influenced by the Confucian value system and the cultural dynamics of the village

community, including the Japanese style of management and business practices and the Japanese approach to corporate governance, will not be immediately susceptible to change.

Let me try to give some examples which should be more easy to understand. As I have already explained, there are some important differences between the Japanese and American models of capitalism. For my explanation, I am going to choose two points which are particularly influenced by our social and cultural differences.

My first point concerns our systems of employment. Traditionally, Japanese society has exhibited some very powerful group-oriented tendencies. During the process of industrialization in prewar Japan, there was a very strong demand for skilled labor and businesses were intent on retaining their trained workforce. This economic need combined with traditional social proclivities to give birth to the system of life-time employment in postwar Japan. This system has left its mark on Japanese corporate behavior and has led companies to attach particular importance to continued employment. This is not to say that Japanese companies do not abide by economic rationality in their business operations. However, according to the traditional value system, special importance is ascribed to human relations, and this stands as one of the primary pillars of Japanese corporate culture. The problem is that the life-time employment system has jacked up the operating costs of Japanese corporations and has now become the source of great difficulty in the business community. By comparison, American culture is firmly rooted in the values of individualism and American employees are far less attached to their companies than their Japanese counterparts. In this context, job-hopping is a very common feature of the American system. The same forces are at work on the hiring side and American companies show little reluctance in reducing their workforce during an economic downturn. If this creates

unemployment, so be it, says the American management. From its perspective, unemployment is the government's problem. Needless to say, the Japanese and American approaches each have their own advantages and disadvantages, their good and bad points and one cannot say which is the preferred system.

Another illustration of this point can be derived from our different approaches to decision-making. The typical Japanese organization shows a very strong preference for bottom-to-top consensus-building. This holds true for our government, our corporations as well as our social and non-business organizations. This feature is rooted in the special respect which Japanese society holds for "harmony." The positive aspects of this attachment to harmony and harmonious relations are manifested in the group dynamics of cooperation between labor and management and the success of the TQC (total quality control) movement. But of course there are some negative aspects, such as a general fuzziness when it comes to determining who is responsible for what. By contrast, the American model is very strongly oriented toward top-down decision-making.

In my opinion, the key question is: How can the structure of Japanese capitalism be transformed to more closely resemble the American model of market-oriented "people's capitalism" while properly taking into account the differences in our ethical parameters? This immediately leads to a second question: Will these differences in our ethical parameters hinder the process of structural transformation? Regarding the second question, I must frankly say that there is no conclusive answer at this point. However, my intuition tells me that these differences will not decisively obstruct or derail the process of reform and structural transformation.

The Japanese Program for Reform and the Role of the Keidanren

The international view of the current Japanese programs for reform seems to be as follows. Yes, Japan is talking about fundamental transformation. Yes, there is agreement on broad principles. But Japan appears to be noncommittal when it comes to the details of the reform packages and their implementation. Whether we are talking about deregulation or restructuring the government ministries and agencies, it is true that there is a persistent opinion that these changes should be undertaken in a manner which minimizes the impact on employment. There is a definite tendency to seek a soft-landing. As I mentioned before, Japanese society exhibits a very strong preference for consensus-building and great effort is expended in trying to avoid any form of top-down decision-making. In the context of the reforms which have been targeted by the Hashimoto Cabinet, this means that quite often the bureaucracy will be called on to develop scenarios for the implementation of reforms. I am afraid that this is roughly equivalent to asking the students to grade their own exams.

From what I have said, you may draw the conclusion that the process of reform in Japan faces a very dark future. But all is not bad and there are some points of light worth mentioning. As I briefly indicated before, the Japanese political structure is undergoing changes and political reform in Japan has finally begun to bear fruit during the past few years. For instance, last year, the parliamentary election system was revised and the first national election under the new system was held in October. As you well know, the Liberal-Democratic Party won a substantive victory in this election. Following the election, Prime Minister Hashimoto committed himself to a program of six fundamental reforms which will bring the surgeon's knife to bear on Japan's political, economic and social structures. Mr. Hashimoto's programs target the following: (1)

administrative reform, (2) fiscal reform, (3) structural transformation of the economy, (4) reform of the financial system, (5) reform of the social security system, and (6) educational reform.

The American media reported that the door to reform and transformation was closed when the Liberal-Democratic Party increased its parliamentary representation in the recent election. Furthermore, the American media have generally been very skeptical about the direction and outcome of the Hashimoto Cabinet's program for reform.

I take a somewhat different view. A number of important steps have been taken toward establishing strong political leadership in Japan. The Prime Minister cannot turn back from where he stands. An increasing number of business leaders are now setting their hopes on the leadership of Prime Minister Hashimoto. Foreign observers of Japan may conclude that the October 1996 election only served to further destabilize Japanese politics. This argument is based on the fact that, even though the Liberal-Democratic Party has returned to the seat of power, the recent election resulted in the expansion of the ranks of the opposition parties. But it must be remembered that the New Frontier and Sakigake Parties are in fact parties which have for various reasons branched out from the Liberal-Democratic Party. To a considerable extent, these new political parties can be viewed as former factions of the Liberal-Democratic Party which have been reconstituted as independent parties. But in terms of their conservative leanings, there is virtually no difference among these parties.

It is also interesting to note that in the course of last year's general election, all political parties, with the exception of the Japan Communist Party, assigned top priority to administrative and economic reforms. And all party platforms made a clear commitment to the implementation

of these reforms. Therefore, all parties will stand to lose in the next general election if these campaign promises are not translated into action.

While the October 1996 election reinstated the Liberal-Democratic Party in the seat of power, there is nothing in the current political arrangement to remind us of the “1955 regime.” There is greater transparency in the political process and there is a more rational relationship between politics and economics today. The political forum boasts many new players from the worlds of journalism, labor and academia. As you can see in this exhibit, the relation between the participants has changed from a somewhat closed triangular relation to an open hexagonal one though it has become far more complex in the process.

The changes which have been occurring in this context may be difficult to understand and I would like to introduce several representative cases in the way of explanation. For instance, the prime minister has participated in the May Day functions of the labor movement. Or, Mr. Murayama, former prime minister, the leader of the Social Democratic Party, attended the Keidanren’s general meeting. Such interaction was absolutely unthinkable in the past but has now become a normal reality. In the past, the Japanese labor movement was closely allied to the Japan Socialist Party and the Democratic-Socialist Party. But following the reorganization of political parties, the relation between the labor movement and the political parties is no longer linear and simple. The relationship has become extremely complex and at times very difficult to understand. In general, it can be said that the labor movement is undergoing a metamorphosis to emerge as an integral force in the political establishment.

On the issue of the commitment of politicians to the program for reform, it is my understanding that a significant step forward has been taken. This progress has raised our hopes

for political leadership in the implementation of reforms.

This brings us to the question of public opinion and the level of public awareness on which all reform efforts must finally be buttressed. Unfortunately, we find ourselves in a critical situation on this front as the public clearly lacks an awareness of the severity and urgency of the crisis. According to a recent survey taken by the Prime Minister's Office on the subject of living conditions, the ratio of the respondents which said that they were satisfied with the current conditions reached the highest that it has ever been in the postwar period. Last year, President Chirac of France visited Japan. It is reported that he made the following very telling remarks to one of his close aides during his visit: "The political and economic leaders of Japan are full of pessimism. But the Japanese are dressed in the most expensive quality-brands, and they are promenading down the Ginza which is home to more high-class stores and boutiques than the Champs Elysees. So, how can this be a country which has had zero economic growth over the past five or six years and which they say is on the brink of economic collapse?"

I am willing to guarantee that if the current economic stagnation continues for another two or three years, the Japanese public will very rapidly develop a sense of crisis.

One of the popular discussions which is presently being carried out in Japan begs the question of "Why are reforms needed?" The Japanese people are rather accustomed to incremental improvements. The problem is that we are not at all good at developing a vision for ten or twenty years hence and undertaking fundamental reforms for the attainment of that vision.

In view of this weakness, the Keidanren has taken it upon itself to sound the alarm and we have taken what we believe is a brave step toward raising the consciousness of the public. I am referring to the document published by the Keidanren in January 1996 entitled "Toward the

Creation of an Attractive Japan.” The primary purpose of this report was to present the Keidanren’s long-term vision for the future of Japanese society. Another objective that we had was to generate a sense of urgency in the Japanese public. We took the position that the sleight-of-hand reforms of the past would no longer do and that some radical changes were in order. Otherwise, we argued, Japanese society would sooner or later sink into an inextricable mire as a result of the aging of society which is proceeding at an unprecedented rate. In this document we have argued that the progress and success of structural reform depends on the willingness of our political leaders to practice top-down decision-making. We pointed out that the pain attendant on these reforms would have to be shared not only by our political leaders, but also by the business community at large. Specifically, we stated that the private sector should accept the responsibility for a certain degree of employment adjustment.

I recall that at the time of the privatization of the Japanese National Railways, nearly 30 percent of the workforce was identified as being redundant. A portion of this redundant workforce was accepted into private companies and the corporate members of the Keidanren played a particularly important role in this re-hiring process. The structural transformation which Japan must implement can be expected to yield large numbers of redundant workers. It is my belief that the private sector should take it upon itself to absorb these workers. The experiences, procedures and know-how which were developed during the privatization of the Japanese National Railways will certainly serve us in good stead in this process.

The Hashimoto Cabinet has committed itself to a program of six major reforms which I have already mentioned. I hasten to add that all of these reforms were included in the Keidanren’s vision for the 21st century. I would like to take some time to government’s reform plans entail

and what was contained in the Keidanren's proposal.

The Keidanren has embarked on three major projects for the realization of this vision. Our first project features the "Business People's Political Forum" which was established in July 1996. Taking our hint from "people's capitalism," this initiative is designed to promote the participation of the public and the people in the nation's political, economic and social systems. The specific purpose of this Forum is to raise the participatory consciousness of business people and the public at large in the political process. Since its inception last year, the Forum has been used to promote greater mutual understanding between politicians, the business community and the public.

Our second project is tentatively entitled "Research Institute for 21st Century Policies". Needless to say, the business community will have an extremely important role to play as Japan undertakes to implement major reforms. As such, the business community must seek wide-ranging public support for its proposals while increasing its influence on the government in order to ensure that its proposals are integrated into national policies. To succeed in this process, the business community will have to make a greater investment in a program for empirical and theoretical studies.

The Keidanren's third project is aimed at boosting the activity level of the Japan Institute for Social and Economic Affairs in the United States. As you know, this seminar is being hosted by this organization. It is our belief that the development of closer bilateral ties between Japan and the United States is of vital importance, not only for our two countries, but also for the promotion of stability and growth in the entire world. For this reason, we have decided that the Japan Institute for Social and Economic Affairs should increase the range of its activities in the United States.

4. The Significance of the “Ethics” of Japanese Capitalism Which Will Remain Unaffected by Transformation

As I stated earlier, I believe that the ethical aspects of capitalism largely remain unchanged. At the same time, I believe that if Japan is serious about the implementation of reforms, then it must be prepared to alter the some of the ethical elements of its system which require reform. I would add, however, that considerable thought and skill must be brought to bear for the successful modification of the ethical elements.

The title of my talk today contains the phrase “systemic transformation.” Whether we like it or not, Japanese capitalism has already embarked on its voyage toward systemic transformation and is plying through uncharted waters. If the reforms proceed smoothly and Japan successfully steers through these waters, the Japanese model of capitalism will be transformed into a vigorous and market-oriented people’s capitalism. As outlined in the Keidanren’s vision for the 21st century, this would allow Japanese society to advance toward a fairer and highly transparent system.

As I have reiterated several times today, regardless of the success of these reforms, the unique features of the Japanese ethical framework and other salient characteristics of the system will remain unchanged. However, needless to say, the continued existence of these elements should not be interpreted to mean that the process of transformation has been incomplete.

The negative aspects of Japanese capitalism must certainly be reformed and we must stay the course regardless of the considerable and unavoidable pain that such changes will entail. On the other hand, the positive aspects of Japanese capitalism should be definitely retained and proffered to the world at every opportunity with full confidence. For instance, the Japanese

practice of maintaining frequent and close cooperation between the government and the private business community is a case in point. Of course this close relation must remain fully transparent to the general public. The Japanese tradition of cooperative relations between labor and management is another which we believe is deserving of wider promotion.

In closing, I would like to state that it is my earnest hope that Japanese society and Japanese capitalism will be transformed in the course of the current reforms to be re-created in a shape that can be more readily understood and appreciated by the countries of the world, and that the peoples of the world will find the unique Japanese approaches and responses worthy of investigation and study.