

# Institutionalizing the Politics of Productivity in Japan : The Comparative and Historical Perspective

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# Institutionalizing the Politics of Productivity in Japan: The Comparative and Historical Perspective

Toshiya Kitayama\*

## Introduction

One problem with studies of the Japanese political economy is a lack of analyses from a comparative and historical perspective. As Richard Samuels points out, "Few studies of Japanese economic policy by Japan specialists are overtly comparative, and many overtly comparative studies of Japan are not by specialists" (Samuels, 1987, p. 21).

Let us see an example of the problem. Among Japanese social scientists and Japan specialists, it is common to refer to the catch-up consensus of postwar Japan. They assume that the Japanese, after World War II, decided to catch up with the Western countries in purely economic terms, as opposed to a catch-up in a military sense. Such was the strength of the underlying consensus favoring economic growth that Japan did not need any serious political consideration as to where to go, and as a consequence, Japan could concentrate on economic growth by transforming itself into a very efficient GNP machine. As a matter of fact, one may even come up with the impression that Japan was the only country that has had rapid economic growth after 1945.

This interpretation, however, has three problems. The first has to do with a lack of historical analyses: it fails to see Japan in the context of the world economy after the Second World War. Secondly, assuming the catch-up consensus was unique in Japan, it neglects a comparison with other advanced industrial countries. This is the problem caused by a lack of comparative perspective. Thirdly, assuming that countries do not need political consideration as long as they have a consensus on the desirability of economic growth, it fails to see how the politics, broadly defined, can be the source of the consensus. It can be said that a political analysis is also lacking.

As I argue later, the postwar period was a unique one compared with other periods in world history and was a period in which European countries also experienced a considerably fast pace of economic growth which was supported by an unusually high degree of consensus. In sum, one finds a consensus not only in Japan but also in Europe and one should understand from a historical and political perspective how it was possible to achieve such a consensus.

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\* Assistant Professor of Political Science, Kwansai Gakuin University

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My purpose in this paper is to examine the characteristics of the postwar Japanese consensus in a comparative and historical perspective.

I begin by examining the characteristics of the international political economy after the Second World War. I will show, from a historical perspective, the effect of the American international strategies on the consensual nature of domestic politics of both Japan and the European countries. I therefore find the importance of the American strategies as one of the origins of the consensus found both in Japan and in European countries.

The second section of the essay then considers the argument made by some Europeanists that the stability that marked the postwar era was a result of, or made possible by, the "postwar settlement, a set of nationally specific arrangements in each of the Western European countries, explicitly or implicitly supported by a wide array of state, business, trade union, and political party elites" (Kesselman and Krieger, 1987, p. 11). I argue that a rapid economic growth in postwar Japan and an ever increasing competitiveness of the Japanese industries since the 1970s was possible because of a Japanese version of the postwar settlement. Thus I will demonstrate, from a comparative perspective, how the Japanese settlement differed from those of its European counterparts and how it contributed to the increased competitiveness of Japanese industries. The political economy of postwar Japan is tentatively characterized here by a competitive mass production system supported by worker participation. It is a peculiar mixture of mass production principles and flexible specialization principles.

The third section of this paper is an analysis of the forces that have contributed to the formation of the Japanese postwar settlement. In this section, too, I find the American strategies contributed to the construction of the Japanese postwar settlement. I also briefly review some other forces, too. One the whole, I will describe the postwar Japanese political economy as a historical construction, emphasizing political events and historical accidents.

I conclude that it is not the existence of the consensus, nor the cooperation between labor and capital in postwar Japan, but the very nature of the settlement among classes that are very unique from the historical and comparative perspective. In both cases, the existence of the consensus among classes on the one hand, and the uniqueness of the nature of the content of the settlement in Japan, on the other, I stress the importance of the impact of American strategies.

### I The Politics of Productivity

The post-World War II Western economy was constructed under the auspices of the United States. It is characterized by liberalism and internationalism. It is basically a capitalist world economy and it opposed protectionism and the formation of economic blocks that plagued the interwar world economy. Charles Maier considers the way in which the construction of the postwar order can be related to the political and economic forces generated within American society (Maier, 1977).

Faced with an opportunity to reshape the international economic order, American policymakers in 1945 did not have a clear vision. There were many plausible visions during the New Deal and the war, ranging from a social democracy to a business commonwealth. Instead, they found themselves trapped by domestic social divisions and political stalemates. Through this stalemate, American leaders began to fall back upon the supposedly apolitical politics of productivity. That is, the stress on productivity and economic growth emerged as a result of New Deal and wartime controversies. The American leaders asked the Europeans and the Japanese "to subordinate their domestic and international conflicts for the sake of higher steel tonnage or kilowatt hours precisely because agreement on production and efficiency had helped bridge deep divisions at home" (Maier, 1977, p. 609).

What exactly, then, is the specific character of the politics of productivity? According to Maier, it consists of two themes: Monopoly, which explained political and economic setbacks, and productivity, which promised advance. The anti-monopoly orientation was applied directly to Germany and Japan, the two defeated countries. The Occupation in Japan broke up the *Zaibatsu* immediately after end of the Pacific War. No holding companies were allowed and about 3,600 businessmen were purged. Competition among firms became more intense than before and ownership and management were clearly separated.

One the other hand, the indices of production and growth provided "a justification for separating constructive growth-minded labor movements (Social-Democratic or Christian) from divisive and allegedly self-seeking Communist ones" (Maier, 1977, p. 618) in both the non-Axis and the Axis areas. Those labor groups willing to endorse growth and productivity were more than encouraged. The Marshall Plan was crucial for making this division clear. In sum, Monopoly and Communists were not acceptable. The United States rewarded centrist "Atlantic" oriented European leaders and Japanese Liberal Democrats. As long as leaders existed, within the countries, who had the capacity to achieve political integration and who were committed to growth, such countries, encouraged by America, successfully pursued economic growth.

Indeed, such apolitical politics of productivity were enormously successful throughout the postwar era. In the 1950s and the 1960s, Japan and the European countries enjoyed unprecedented growth and capital formation. Particularly successful were the two occupied states (West Germany and Japan) that offered the most promising ground for accomplishing the politics of productivity. American policy successfully ensured the primacy of economics over politics, to de-ideologize issues of political economy into questions of output and efficiency in the two countries. Ideological conflicts in Japan, though very severe, were mostly around non-economic matters, such as defense controversies.

Looking at Japan from this historical perspective gives one an opportunity to see the uniqueness of the period after World War II. It is true that Japan has had a catch-up consensus that limited the importance of politics and facilitated economic growth. But that was not really peculiar to Japan. To a considerable degree, the

same is true for European countries. For instance, when speaking of modernization of European political institutions, European experts point out, "The desire for increased efficiency was linked to the decline of class conflict (what sociologist Daniel Bell termed the end of ideology): Why engage in protracted debate if everyone agrees on the desirability of economic growth within the prevailing capitalist economy?" (Kesselman and Krieger, 1987, pp. 16-17)

Claus Offe also suggests that "old politics," which was dominant throughout the post-World War II era, is distinguished by its central concerns for economic growth, advances in individual and collective distributional positions, and legal protection of social status (Offe, 1987). He then contrasts it with "new politics" for which the central issues are preservation of the environment, human rights, and unalienated forms of work. In summary, I argue that one ought to keep in mind that the post-World War II era was unique in its emphasis on economic growth and productivity and that American policies were crucial for the construction of the postwar order of advanced industrial countries.

## II The Postwar Settlement

Those American policies, however, did not completely determine by themselves the exact course of the development of Japan and European countries. They were not simply omnipotent. What the American did was to encourage a centrist trend and discourage monopoly and the Communists in such countries. Even when they directly imposed their will on West Germany and Japan, domestic politics remained. The American policies interacted with the social and political components of European nations and Japan (Muramatsu, 1990). Within the constraints imposed by American hegemony, each nation has had its own way of responding to the situation. The foundation of the politics of productivity was laid and became the base for the development of the domestic politics. John Ruggie calls the political economic order of postwar Europe 'embedded liberalism' (Ruggie, 1982). Liberalism in both foreign trade and international monetary policy was embedded in the acceptance of the welfare state. Liberal trade and a limited form of welfare state were supposed to reinforce each other, while cooperation among classes would ensure growth and productivity. Notice that what Offe calls "old politics" is characterized not just by economic growth but also by military and social security.

Let us turn our attention to the nature of the domestic politics in Europe and Japan which developed on the base formed by the politics of productivity after World War II. Here the notion of 'postwar settlement' provides an useful insight in understanding the nature of the politics that followed. This term refers to "that package of workplace and political arrangements that recognized the broad legitimacy and efficacy of unions and labor-affiliated political parties" (Allen, 1990, p. 270). The central idea here is that the politics of productivity made it easier for the countries to experience a postwar settlement and that the politics of productivity were indeed institutionalized through the postwar settlement to bring about eco-

nomical growth in various ways in each country.

As far as Europe is concerned, the new political framework was established after World War II, except in Sweden, where the settlement was achieved in the 1930s. This involves a tacit alliance between organized labor and big business, with the help of the state. As Kesselman and Krieger put it:

This postwar settlement pattern of class relations appears to replace traditional zero-sum conflict, in which the gains of one class are achieved at the expense of the other. Class compromise seems to represent a situation of positive-sum cooperation, in which both classes gain from their cooperation and restraint (Kesselman and Krieger, 1987, p. 13).

One way or another, some kind of tacit agreement or cooperation among the main political and economic actors was obtained to ensure economic growth, political stability, the welfare state, and so on. I argued that rapid economic growth in postwar Japan and the increasing competitiveness of Japanese industries since the 1970s was possible because of a Japanese version of postwar settlement. Before we move on to consider the difference between Japan and the European countries, it is necessary here to discuss the framework within which such a comparison is made.

We have already seen that the term 'postwar settlement' refers to that package of workplace and political arrangements that recognized trade unions and labor-affiliated political parties. Christopher Allen distinguishes between micro-level strategies—those at the workplace level—and macro-level strategies—those at the political level. In the following, however, the analysis is conducted in Piore/Sabel terminology (Piore and Sabel, 1984). They pay attention to the regulatory mechanisms that connect production and consumption. There are two kinds of such mechanisms. One is the microeconomic regulation, which is a mechanism that balances supply and demand in individual markets. The other is the macroeconomic regulation that matches aggregate demand to productive capacity at the level of the national economy.

In the United States, where a technological paradigm of mass-production-mass-consumption was set in the name of Fordism from the late nineteenth century on, it was modern corporations that were organized to stabilize individual markets. Stabilization of individual markets, however, had yet to be coordinated through macroeconomic regulations, the lack of which brought about the Great Depression. The most critical macroregulatory institution in the United States, after the Second World War, was the wage-determination system used by the industrial unions in mass production industries. This wage-setting mechanism stabilized the national economy by maintaining consumer purchasing power, and, at the same time, by making wages and prices rigid.

There are two more critical aspects of economic organization in the Piore/Sabel analysis. One is the global system regulating international trade and monetary flow. The central mechanisms for the postwar global organization were the system

of the International Monetary Fund (IMF) and the General Agreement on Trade and Tariffs (GATT). The United States as a hegemon established this regime of international commerce. The other is the microscopic organization of the labor-management relationship in the work place. The predominant American system of shop-floor control in mass production industries was characterized by two concepts: a job is a precisely defined aggregate of well-specified tasks; and seniority or length of service in a particular company, plant or shop, is a criterion in the allocation of jobs. Using their terminology of microregulation, macroregulation, the global system and the microscopic system, I now turn to the comparative analysis of the Japanese political economy.<sup>1</sup> Let us examine the characteristics of, first, the European postwar settlement and then those of the Japanese settlement.

The rise of the system of mass production industry in the United States, which is outlined above, had an enormous impact upon Western Europe. Its success in America was interpreted as the one rational solution to the problem of organizing production in the modern era. European countries began to adopt the mass production technology, although in differing degrees, after World War II. The effect of this trend on labor unions was also profound. Unions responded to this change in managerial strategies to Fordism. Until then, particularly in some countries where craft-based skill patterns were strong, worker participation had been an important element for organizing production. Yet "the majority of (workers') participatory impulses were replaced by an extensive system of mass production in which workers lost a great deal of their autonomy to shape changes in the workplace" (Allen, 1990, p. 255). Under Fordism, production was supposed to be routinized by transferring skill from the shop-floor to a central planning bureau. The distinction between the conception and the execution of tasks was deliberately made clear. Both the managers and the workers had interest in making seniority districts and job classifications narrower and seniority rules more precise, thereby stabilizing the relations between them.

Workers came to accept the prerogatives of capital control, Allen argues, because they thought they were achieving major gains out of the postwar settlement. What, then, were they gaining in this deal? First, in this period, most unions extracted a number of positive outcomes in their bargaining with employers and governments. They achieved much greater opportunities for organizing workers into unions. They enjoyed an opportunity to increase their influence. Second, such unions and left-wing political parties then gradually achieved the expansion of welfare states, increased wages, and nationalization in some countries. In this way, the unions' strategy found a virtuous circle: they emphasized wage and fringe benefits on the one hand, and what Allen calls "left Keynesian social welfare policies" from the government on the other. This combination<sup>2</sup> turned out to be mutually reinforcing

1 We have already seen, in the last section, the impact of the global system constructed by the American hegemony. Therefore, I only argue in the following the characteristics of macroregulation, microregulation, and the microscopic system.

2 According to Allen's terminology, the bargaining of wage and fringe benefits is at the

and a great success.

This is the nature of the European version of postwar settlements. Workers abandoned demands for control over the production process and gave such control to the employers. In return, they achieved recognition and collective bargaining, initially, and, later, a growing welfare state and increasing wages. Fordism at the microscopic level was combined with social democracy at the macroregulation level in the postwar Europe. Having seen European cases, let us move on to Japan. Did Japan have its own version of postwar settlement? If so, how is it different from the European experiences?

Starting with the microscopic system, what is most characteristic in Japanese labor unions is their interest in the production process. As one authority in this matter puts it:

One feature in the working of Japanese labor unions is their voice in management. Formally, there is no legal framework for worker participation in management, unlike the German system, for example. No workers' representatives are allowed to sit in the boardroom. In spite of this, workers are extremely vocal about management, and joint consultation between labor unions and the company at the enterprise and/or plant level is remarkably widespread (Koike, 1987, p. 319).

He then shows that the percentage of workers who answered yes to the question of whether they wanted to have a voice in management and the percentage of establishments with a joint consultation machinery in the workplace are both very high (Koike, 1987, pp. 319-320). Another characterization of the Japanese firm by Masahiko Aoki is that the body of employees is, together with the body of shareholders, explicitly or implicitly recognized as a constituent of the firm, and its interests are considered, through the voice of the enterprise union, in the formation of managerial policy (Aoki, 1987, see also Itami, 1989). In this characterization, management is regarded as a mediator striking a balance between the interests of shareholders and those of employees. In this firm, seniority-related benefits to employees in the form of seniority wages and retirement compensation have been developed as mechanisms through which management and workers can reap returns from their respective investments.

His contribution, as he implies, lies in the construction of analytic notions of intrafirm equilibrium within the framework of cooperative game theory. What is interesting for our purpose is the idea of cooperation within the firm. In Japan, too, in its own way, the traditional zero-sum game was replaced by positive-sum cooperation, in which both classes gain from their mutual cooperation and restraint. Yet

micro level and left Keynesian social welfare policies are at the macro level. In this paper, however, both wage determination and left Keynesian social welfare policies are at the macroregulation level because they together affect the aggregate demands of the national economy.

there is an important difference between the Japanese and European settlements.

I argue here that the Japanese version of postwar settlement was established in the microscopic system without the abandonment by workers to the employers of demands for control over the production process. If the Fordist type of mass production entails the deskilling of blue-collar workers at the microscopic system, then the Japanese system of production is not really based on Fordism. As Koike demonstrates, Japanese blue-collar workers in large firms are partly white-collarized in terms of skill, wages, and length of service.

What about the settlement at the macroregulation level? In return for giving up worker participation at the microscopic level European workers obtained the following: first, recognition and collective bargaining and, second, a growing welfare state and increasing wages. As to the former, it is easy to find a package of political arrangement in the Occupational Reforms of Japan. SCAP ordered the enactment of the Trade Union Law and other labor related laws, all of which recognized the labor's right to organize, strike, and bargain collectively. Japan therefore did have a postwar settlement, even if it was from above, or, more correctly, from abroad. It is true that in a few years there was a ban by General MacArthur of the general strike that had been projected mainly by the Communists, which was a "reverse course" in policy, taken in response to the beginning of the cold war. But these policies need to be understood in the light of the politics of productivity. Only constructive growth—minded labor movements, as opposed to divisive Communist movements, were permissible in the postwar political economy supported by American hegemony.

In the first half of the 1950s, however, Prime Minister Shigeru Yoshida was basing his leadership on a foundation of the coalition of big business and agriculture, or an "iron-rice coalition," so to speak, thereby largely excluding unionized workers and left-wing political parties from public policymaking. Thus Japanese party politics gives the impression that it diverged from the consensual nature of European postwar settlements. As Hideo Ohtake argues, the Japanese "System of 1955" means the beginning and consolidation of the coalition of the right wing and progressives within the Liberal Democratic Party and the end of the coalition of progressives and social democrats (Ohtake, 1988). The latter half of the 1950s is the period characterized by the confrontation of the right wing politicians who had been formally purged by the SCAP and the left wing of the Japan Socialist Party.

If such policy orientations of the previous cabinets are interpreted as a departure from the politics of productivity, the LDP with Hayato Ikeda as prime minister returned to the politics of productivity in the 1960s, after the turmoil caused by the revision of the United States-Japan Security Treaty and the Miike coal miners' strike. The System of 1960, if not the System of 1955, belongs to the politics of productivity (Muramatsu, 1990). Ikeda met Kaoru Ohta, the leader of the Sohyo labor movement, and Ikeda's "Income Doubling Plan" virtually ensured the successful entrenchment of the mass consumption society. His policies closely resemble the policies that followed from the European postwar settlements. His plans and his fiscal policies encouraged domestic consumption and emphasized wage

increases and demand stimulus. In fact, some businessmen criticized Ikeda because they believed that he put too much emphasis on domestic consumption rather than exports (Hiwatari, 1990). While full-blown welfare policies and deficit spending were to be realized later, Ikeda's policies have a lot of similarities with the European left Keynesian policies.

In the meantime, in the labor movements, a new trend was being consolidated. Sohyo was established in 1950 as the federation of the labor unions. It had, as SCAP expected, a non-Communist orientation, but as the Korean War began, it became ideologically very militant and confrontational with the conservative governments. In a few years, however, new strategies were advocated by Kaoru Ohta and adopted formally in the mid-1950s. This strategy emphasized the Spring Offensive (Shuntoh) in which major labor unions simultaneously bargained with management in the spring. This simultaneous annual round of negotiations had the effect of pattern bargaining, which spread the wage settlement of the growing industries to the rest of the sectors. It, therefore, had the effect of maintaining the purchasing power of consumers in the national economy. This Spring Offensive, together with the income doubling plan of Ikeda, constituted a macroeconomic regulation of the 1960s in Japan.

In fact, Japan came closer to having a Fordist system in the 1960s. At the level of microregulatory institutions, the Ministry of International Trade and Industry (MITI) was then fascinated by Fordist strategies and attempted to balance the supply and demand within individual markets by consolidating industries and realizing the economies of scale through various industrial policies. It is not surprising that MITI tried to emulate the French mixed economy, since France is the country that "went furthest toward the U. S. system" (Piore and Sabel, 1984, p. 135).

Yet, the Fordist strategies pursued by various actors were not completely successful in Japan. At the microscopic level, the workers were not deskilled but rather acquired skills and began participating in the production process. At the microregulation level, MITI attempted to consolidate industries by realizing the Japanese counterparts of European "national champions," but it failed because of opposition from businessmen (Friedman, 1988; Ohyama, 1989). Only at the macroeconomic regulation level, the Fordist strategies pursued by the Ikeda Cabinet and Sohyo were successful in bringing about the boom in consumer durables. This reorientation of macroeconomic regulations does not seem to have undermined the orientation of the shop-floor.

To summarize, it is argued that the content of the postwar settlement in Japan is different from those in European countries. On the same foundation of the politics of productivity, Japanese workers and managers started to organize production. Yet the workers did not abandon the participatory strategies at the microscopic level. In addition to that, Japanese labor gradually obtained the combination of left Keynesianism and wage bargaining that dominated the European labor strategies during the postwar period. This combination, both worker participation on the one hand, and wage bargaining and left Keynesian social welfare policies on the other,

proved to be enormously successful in bringing about economic growth. Furthermore, this combination made it possible for the shop-floor to adjust quickly to the changing world economy in the 1970s because shop-floor had become very flexible. Skilled workers were indispensable for continuous innovation at the shop level and thus contributed to the growing competitiveness in the post-mass-production, or what Nishiguchi calls the 'post-commodity' production (Nishiguchi, 1989) era of the 1970s and 1980s.

### III The Origins of Japanese Postwar Settlement

This section deals with the forces that have contributed to the development of the Japanese postwar settlement. As shown in the last section, the postwar settlement in Japan ensured the consensus in favor of economic growth just like the case in the European countries, but the settlement did not lead to the European combination of Fordism (or more precisely, Taylorism) at the microscopic system level and left Keynesianism at the macroeconomic regulation level. How is it that Japan came to have its own version of postwar settlement? My basic stance in this question is that the Japanese political economy is a result of an unusual set of circumstances. It attempts to see the Japanese economy as a historical construction rather than a simple expression of Japanese culture or of particular designers.

In the following, I examine four points. They are 1) the politics of productivity which were embodied in the Occupational Reforms, 2) policy legacy, 3) class struggles, and 4) the timing in which settlement was made. Except the fourth point, they are broad political events.

Let us start with the importance of the Occupational Reforms. I have already argued that the politics of productivity were the main theme of the Occupational Reforms, even if SCAP was not aware of it. Regarding productivity, the Trade Union Laws and other laws formally recognized the legitimacy of labor unions and collective bargaining. SCAP supported the establishment of non-Communist Sohyo, although it turned out to be hostile to the conservative governments.

With regard to monopoly, the importance of the dissolution of the Zaibatsu and the purge of the prewar and wartime leaders of the business community cannot be overemphasized. First of all, they together removed the classical capitalist control over business. New managers were free from the pressure of shortsighted shareholders. This, in turn, made it possible for the managers to foster longer-term thinking in managerial decisions (Dore, 1987). Furthermore, the new managers did not see themselves as the trusted agents of the shareholders, and began to recognize the workers, explicitly or implicitly, as a constituent of the firm. The reforms thus strengthened the idea that already existed in Japan as well as in Germany of the firm or plant as a community (Piore and Sabel, 1984), and thus contributed to the development of non-Fordist technology in postwar Japan. One observer even insists that the employees, instead of capitalists, have sovereignty of the firm (Itami, 1987). "Corporatism without capitalists," so to speak, would be wrong to the extent

that "corporatism without labor" is misleading. It nonetheless shows the idea that the Japanese firms are different from firms in other countries. The origin of the difference, however, is not mysterious at all. It was the politics of productivity designed by the Americans.

Second of all, the dissolution of the Zaibatsu brought about a competitive environment in Japanese industries. Given the fierce competition among firms, managers have attempted hard to survive by taking advantage of product differentiation since the early period (Shimokawa, 1990). The Fordist strategy of producing standardized goods was abandoned, and mass markets began to break up. This competitive pressure forced the Japanese managers to keep good relations with workers, thereby maintaining flexibility in the workshop. Through this change, Japanese producers obtained the ability to respond to changing demand.

Second, policy legacy is important. During wartime, "industrial patriotic units" (sangyo hokokukai) were formed at the plant level by the state. When the workers obtained the right to organize after the war, those units became the basis on which postwar enterprise unions flourished. The units had organized the blue-collar and white-collar employees together in the same union, and this tradition reemerged after the war.

Third, the importance of class struggles in the formation of the Japanese style production system is emphasized by Martin Kenney and Richard Florida (Kenney and Florida, 1988). They consider the role of the labor movement and argue that the class struggle in the prewar era, in spite of its weakness, framed a number of issues, including tenure guarantees, the method of determining wages, the relative status of blue- and white-collar workers, and the role of the shop-floor workers in enterprise decisionmaking. These issues were resurrected in the struggles of the immediate postwar period. Moreover, after the war, Japanese workers developed "a radical form of class struggle, production control" (Kenney and Florida, 1988, p. 126). In 1946 about 140,000 members of 170 unions participated in struggles concerning production control (Iida et al., 1976). In the turmoil of the postwar period, these struggles, although never succeeding in developing into a well-established practice, had the effect of turning the workers' attention to the organization of production.

Class struggles were particularly crucial in establishing tenure guarantees and the method of determining wages. Layoffs and firings often provoked bitter strikes in the late 1940s and the 1950s and firings became more and more difficult for managers. Regarding wage determination, the struggles by workers in the electric power industry in 1946 were instrumental in establishing the need-based wage system that later spread to other sectors. In its importance for macroregulation, this agreement in the electric power industry is comparable to the General Motors-United Auto Workers agreement in the United States in 1948. Both agreements had the effect of maintaining purchasing power, yet the Japanese wage systems provided the workers with incentives to remain in the firm and contribute to the improvement of the productivity of the organization of production. In other words, this wage

system had significant impact not just on macroregulations but also on the microscopic system.

On the other hand, worker participation was supported by some of the managers, too. There were two streams in the management community (Ohtake, 1987). One was the progressive managers, formed around Keizai Doyukai in 1946, who seriously considered the possibility of worker participation and labor-management consultative councils. The other was the managers who believed in economic liberalism and attempted to introduce Taylorism in the Japanese workplace. They formed Nippon Keieisha Dantai Renmei (Nikkeiren) in 1948, defended the managerial prerogative and attempted to limit the union's demands in the area of wages. What they were trying to achieve at the microscopic level was the European/American style of industrial relations. If Nikkeiren had been truly successful in achieving its objectives, Japanese industrial relations might have been more like their European counterparts. In 1955, however, Nikkeiren changed its course and Nippon Seisensei Honbu was established. This organization again emphasized the need for cooperation between labor and management in the workplace.

Last of all, we will look at the significance of timing, or more broadly, historical accidents. Unions were organized immediately after the war. This has several implications. One is what Ronald Dore and Masahiko Aoki call 'late development effects.' When unions were organized, an internal labor market had already developed. The company, therefore, became the unit which organized the workers. Another is that job rotation was devised and tenure guarantees given to skilled male workers because there was a shortage of skilled labor owing to the war. Finally, a seniority-based wage system was gradually established because labor attempted to secure subsistence wage levels in the turmoil of the postwar life. It was integrated, however, into the Japanese management because, in the firm, skill and seniority increased together (Piore and Sabel, 1984).

#### Conclusion

In this paper, I have attempted to demonstrate the characteristics of the consensus on the desirability of economic growth in postwar Japan by putting Japan in a comparative and historical perspective. First, I considered Japan in the context of the politics of productivity and embedded liberalism. Looking from the comparative and historical perspective, I have argued that the Japanese consensus is not exactly unique to Japan and that one of the origins of the consensus is to be found in American strategies. Then, I applied the notion of the postwar settlement to Japan and considered the difference between the European and the Japanese settlements, again stressing the influence of the politics of productivity and other political events.

I argue that the character of Japan's postwar growth, and the consensus for growth on which it rests, is a function of the postwar settlement. Neither the fact of the settlement, nor its growth orientation is surprising given the international context. Similar settlements emerged in Europe, too. American policies were

crucial in de-ideologizing issues of political economy of these countries.

What is distinctive in Japan, however, is that the settlement had particular features which produced the following things. First, it brought about worker participation at the microscopic level, which made it possible for shop-floors to become flexible. Second, it produced severe competition at the microregulation level. This competition has often been called "excessive competition," which explains not just mere existence of industrial policies but also their failure. Third, it contributed to the gradual establishment of the mass consumption society at the macroregulation level. The politics of productivity were thus institutionalized in its own way in Japan. The result was a political economy characterized by a competitive mass production system supported by worker participation.

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