Southern Illinois University Carbondale OpenSIUC

Honors Theses

University Honors Program

5-1991

Economic Growth in Japan Cultural (Neo-Confucianism) Aanalysis

Monica Chan

Follow this and additional works at: http://opensiuc.lib.siu.edu/uhp_theses

Recommended Citation

Chan, Monica, "Economic Growth in Japan Cultural (Neo-Confucianism) Aanalysis" (1991). Honors Theses. Paper 109.

This Dissertation/Thesis is brought to you for free and open access by the University Honors Program at OpenSIUC. It has been accepted for inclusion in Honors Theses by an authorized administrator of OpenSIUC. For more information, please contact opensiuc@lib.siu.edu.

UNIVERSITY HONOR THESIS 499

ADVISOR: DR. YOONBAI KIM DEPARTMENT OF ECONOMICS

SPRING 91

ECONOMIC GROWTH IN JAPAN CULTURAL (NEO-CONFUCIANISM) ANALYSIS

A Presentation by--

MONICA CHAN

DUTLINE

1 INTRODUCTION

- 2 CONFUCIAN LEARNING ENHANCES LABOR PRODUCTIVITY
 - (1) CONFUCIAN VIEW ON LEARNING
 - (2) JAPANESE EDUCATION SYSTEM PROVIDES LITERATE PUBLIC
 - (3) ROTE LEARNING FOSTER TRANSFERS OF TECHNOLOGY
 - (4) TRAININGS IN BUSINESS PROVIDE SKILLED LABOR FORCE
 - (5) CONFUCIAN PERFECTIONISM ON CORPORATE PLANNING
 - (6) STUDY OF JAPANESE EDUCATION ON ECONOMIC GROWTH DURING 1953-1971
 - (7) PROBLEMS IN JAPANESE EDUCATION SYSTEM

3 CONFUCIAN FAMILISM SMOOTH LABOR RELATIONSHIP

- 1) CONFUCIAN VIEW ON FILIAL PIETY
- 2) JAPANESE FAMILISM ON ECONOMIC INSTITUTIONS
- 3) FAMILISM IN LABOR MANAGEMENT RELATIONSHIP
- 4) EARLY DEVELOPMENT OF LABOR RELATIONSHIP
- 5) RISE OF COMPANY-BASED UNIONS
- 6) UNIQUE FEATURES OF JAPANESE PERSONNEL PRACTICES
- 7) COOPERATION BETWEEN MANAGEMENT AND LABOR

4) CONCLUSION: CONFUCIAN INFLUENCES IN OTHER ASIAN COUNTRIES

I INTRODUCTION

The rise of the new economic power of - Japan, in less than one and a half centuries, has caused world attention to this unique country which arms a motto of " Western technology and Japanese spirit." Western nations label it as "Japan Inc.," "Confucian Capitalism," and so forth. Many economists have traced the miracle economic growth of Japan from various factors such as exportorientation, high rate of capital formation, government strategies development, Western technology and financial aids, and even its traditional value. Confucianism, the most indigenous religious philosophy of the Chinese, is today being singled out as the main source of that tradition. However, the area of cultural explanation is the most controversial. Max Weber had condemned Confucianism as the value that would foster economic growth. In his theory, "The (Confucian) gentlemen was "not a tool"; that is. in his adjustment to the world and his self-perfection. He was an end unto himself, not a means for any functional end. This core of Confucian ethics rejected ... training in economics for the pursuit of profit..." (Weber, 1951, p. 246) The first Western scholar who supported cultural analysis of Japan's economic development was perhaps Herman Kahn. He said in his book, World Economic Development, 1979 and Beyond, "under current conditions the neo-Confucian cultures have many strengths and relatively few weaknesses. Japan, South Korea,

Taiwan, Hong Kong, Singapore, and the ethnic Chinese minorities in Malaysia and Thailand seem more adept at industrialization than the West... The Confucian ethnic... will result in all the neo-Confucian societies having at least potentially higher growth rates than other societies" (Kahn, 1979, pp. 118, 122). American Sociologist, Peter Berger believes that orthodox Confucianism might hinder economic profit pursue, but Confucianism has been transformed into "vulgar Confucianism" in Japan and other Asian countries that it can be flexible and adaptable to market mechanism.

The first of the Asian nations to emerge as a world economic power was Japan, which under the Meiji restoration rapidly understood industrialization and modernization. It has often been theorized that the unique feudal, warlike culture of ancient Japan accounted for the nation's swift conversion to industrial capitalism, which can easily be contrasted with China's slow and painful social philosophy.

Nevertheless, many of the elements of modern Japanese society stem from a common tradition with China and with the basic values of Confucianism. Similarities of written language, rare and "*a tradition of agriculturally-based family and lineage organization within centralized state systems*" link the cultures of Japan, China and other Asian countries as well, noted Hofheinz and Calder (1987, p. 42). More importantly for Neo-Confucianism, modern Japanese culture shares the ideal of the strong family, a concept which extends to workplace and corporate loyalties and a great emphasis on education as a means of elevating the entire family's status in the world: "*Respect for ancestry is built into the Confucian religion, which taught that piety towards one's elders is the most important of all virtues... Japanese parents treat the education of their children as an investment in the prestige and wealth of their family in the future.*" (1987, p. 45) The cooperation between generations and loyalty to the family found in Japanese society are echoed in the group loyalty so often remarked upon in *Japanese corporate life, where workers are often employed for life, perform group activities of song and exercise, and are encouraged to believe that management and its functionaries are engaged in a collective effort with them to produce higher quality products and greater profits.*

The net effect of this ethic of social cooperation and group loyalty is to greatly increase the efficiency of the Japanese bureaucracy, both government and corporate, and to minimize labor strikes while maximizing productivity. It is noteworthy that in Japan, government agencies, such as the Ministry for International Trade and Industry, coordinate with industry; labor cooperates with management through the system of company unions, both relationships in stark contrast to most Western economies. From the Western perspective, Japanese labor unions appear "quiescent and captive," observe Hofheinz and Calder (1987): "Japan, one of the world's most industrial nations, with a strong socialist movement, has remarkably fewer strikes than other developed countries... Though the incomes of workers elsewhere in Eastasia are much lower than in Japan, their wages are still enough higher than in most developing countries... Yet all these gains have taken place without a strong tradition of collective bargaining" (1987, p. 111). Japanese socioeconomic system share a common fact with other East Asian countries that there is a relative light confrontation, adversary labor-management relationship (1987, p. 110).

Culture is the logic different ethics give order to the world. Why some countries are economically better than others? In this paper, I explore the relationship between Confucian culture values and the striking economic growth that has taken place in Japan. The thesis of this paper is the cultural values of Confucianism and its allies philosophical and religions belief system serve as a basis foundation for the new work ethic of entrepreneur in the high-growth economy of Japan. Specific attention will give to Confucian value on education and learning which foster labor productivity; familism and loyalty which smooth labor management relationship. However, the purpose of this paper is not to proclaim that cultural factors are the major factors for the economic growth of Japan. Instead, it is to see how culture contributes, supports other economic policies to the economic development of Japan. For the purposes of this study I consider Confucian culture not simply in terms of the writings of Confucius of the fifth century B.C., but in terms of the Neo-Confucian culture which has revolute

since then to cooperate with economic development.

•

CONFUCIAN LEARNING VALUE ENHANCE LABOR PRODUCTIVITY

Center to the Confucian thinking is the belief in the perfectibility and learning of human being. More than 2500 years ago, Confuciu espouse the idea of universal education when he became a teacher of a great multitude of students. During many dynasties of ancient China, scholars mostly dominated the official bureaucracies, and there were series of vigorous examinations required for entry into this ranking. As the popular saying goes; "you can discover a gold house in Books," even in ancient China, Confucians believed that education was the making of a man's social status, career and economic wealth.

Confucius described a perfect gentleman (learner) should have "a desire to see clearly when he looks at something; a desire to hear every detail when listening to something; a desire to present a tranquil countenance; a desire to preserve an attitude of respect; a desire to be sincere in his words; a desire to be careful in his work; a willingness to enquire further into anything about which he has doubts:...." (Morishima, 1982, p. 11). This diligent attitude in pursuing knowledge has been carrying over till today, considerably facilitating economic growth through the process of adopting advanced technologies in production.

Educational achievement obviously is vital to economic growth. Many observers consider this especially evident in the case of Japan. Edwin O. Reischauer (1977) has written "

2

nothing , in fact, is more central in Japanese society or more basic to Japan's success than its educational system." (1977, p. 167). Concurred Ezra F. Vogel; "If any factor explains Japanese success, it is the group-directed quest for knowledge" (Vogel, p. 27). John Whitney Hall (1975) believed that "any attempt to explain Japan's exceptional success in national development must give a high degree of credit to educational system which took on its modern guise just a hundred years ago" (Anderson, 1975, preface).

Education is a serious business in Japan. Tokyo alone has over a million university students. Japan is a society of employers and employees, where education credentials and educated skills are central to employment, promotion, and general social status. The familiar stories of the fierce competition and high-pressure among Japanese students to achieve entrance examinations which stamp a young person's choices of career are another example of the lasting impact of the Confucian belief that knowledge and learning are power.

However, areas of emphasizes of education have changed since the teachings of Confuciu. It is generally believed that there is a lack of well-rounded liberal arts and general studies in Japan today. The application in modern Japan can be found in exceedingly high literacy rates and excellence of technical training. As Confucius himself warned against the failure to distinguish between rote learning and true thought, in an obvious criticism of the kind of bureaucratic scholarship aimed simply at the passing of examinations. Modern Japanese education suffers from the same gap between rote learning and teaching-by-the-numbers and the essence of personal creativity and technological innovation. In general, however, this does not hamper the Japan in the growing stage of economic development, which use education primarily as a mean of training a skilled and receptive workforce for the businesses and factories. "Japan now graduates more people from high school than any other country and has a higher literacy rate than the United States despite the more difficult written language..." (Hofheinz & Calder, 1987, p. 46). The success of Japanese governments in training a highly-educated, technically-skilled workforce for immediate entry into their bustling job markets is notable. Levels of education are frequently incommensurate with lower~ ranking positions, and competition is generally intense. This technically-skilled work force impose relative little difficulty in the process of transferring technology from other countries.

Learning is not constraint only to students in schools and universities in Japan. There is a general assumption that everyone is a learner. Education is also a part of career life. There are formal courses organized by the company or other learning centers prepare employees for promotions. These sessions evoke ambitions of many employees. Another form of formal training is less common in other countries. Its big trading groups or Keiretsu firms provide automation

training courses for their affiliated companies and subcontractors (Dore & Cabable, 1989). Furthermore, correspondence courses are extensively available for anyone who want to acquire a specific skill. According to one 1986 survey, 21% of firms revealed that they made use of them in their training programs, ranging from 43% of the largest to 19% of the smallest (30-99 employee) firms (1989). They are mostly inexpensive conventional text courses rather than expensive "electronic distance learning packages" (1989). Some of them are courses leading to certificates which fulfill any specific skills needed in the labor market. For instances, interpreters' courses, secretarial courses, accountant, construction skills and so forth. Some of the certificate even endorse legal requirements such as safety certificates various highly dangerous techniques and so on. In general, the majority of these course are designed to enhance employees' work skills or to provide new directions for their careers (1989). Altogether, a Ministry of Labor quide lists some 1200 courses (1989).

Learning is a perception in Japan under Confucianism. Employers encourage employees to take these courses by offering exhortation, praise, mentions in the departmental newspaper, or the prospect that the initiative will be recognized at the annual performance review (1989). Frequently employers offer to cover or to share the expense of the course with employees (1989). Since 1985, and the revision of the Vocational Training Law which marked a noticeable shift of public expenditure away from emphasis on training "*in the market*", "*for stock*" towards training within the enterprise (1989), employers have been able to reclaim from the government training fund part of their expenses in supporting correspondence courses or courses at outside training institutions - a quarter for larger firms; a third for small and medium enterprises (1989). Therefore, great majority of Japanese received formal educational training which enable them to participate in highly efficient organizations to adapt at learning borrowed and new technology.

The Confucian cult of perfectionism --often perfection through endless repetition in learning-- which has been characteristic of traditional arts. For instance, the vast majority of Japanese artists work on a subject or a style throughout their careers (Japanese company, 1990, p. 170). Yoshiharu Kimura, a woodblock artist, has been drawing only birds for twenty-five years; another, print-maker Shigeki Kuroda, has been devoting his life for depicting only bicycles and umbrellas from every conceivable permutation for ten years (1990). By staying focused, these artists consistently improve their techniques. This process is called Kaizen, or continuous improvement in Japan (1990). An American executive who had worked as vice president for Toshiba for ten years in Japan witnessed that the Japanese are not interest only in the absolute results, they are equally interested in the continuous process to strive for

perfection with the goal of achieving excellence (1990). For instance, Toshiba R & D management people in Japan said that their mission was to be king of the IBM-compatible PC laptop, In 1987, there was an entrepreneur with an intriguing plan for a laptop computer with an Apple Macintosh base which was a solid scheme for solving the legal and technical issues in Toshiba (1990), however, the management did not want to diverge Toshiba's efforts by going into another area. They believed the constant striving to do better and to learn from your successes and failures on focus is an important step toward superior performance (1990). This diligent learning perception applies in economic production has become a considerably factor that contributes to Japanese' superior performance in quality control system, provide a comparative advantage of their products in international market, and eventually contribute partially to the economic success of Japan.

The study of Japanese economic growth during postwar years to 1971 by Edward Denison and William Chung (1976) for Brooking Institution in 1976 showed that the economic growth rate of Japan was 8.8 % a year during the period, which exceeded the average of the other major developed countries (4.2%) by 4.6% points. Of this difference 1.0 % point is by a greater contribution from the application of new knowledge to production (1976). Denison and Chung (1976) found that advances in knowledge and miscellaneous determinants is the second largest contribution to economic growth besides capital formation. It contributed about 40% of the inputs per every output. It indicates that Japan secured from advances in world's stock of knowledge which permitted to produce at low cost. Education is thus a major "*catch up*" in the contribution of economic development for its disadvantage in natural resources endowment.

Sources of Growth of Actual National Income, Whole

Economy, 1953-71

Growth rates and contribution to growth rates in percentage points

ITEM	Whole economy		
	1953-71	1953-61	1961-71
 National Income	8.77	8.13	 9.29
Total factor input	3.95	3.63	4.35
Labor	1.85	1.91	1.78
Employment	1.14	1.14	1.09
Hours	0.21	0.38	0.11
Average hours	0.01	0.35	-0.27
Efficiency offset	0.18	-0.06	0.38
Intergroup shift offset	0.02	0.09	0.00
Age-sex composition	0.14	0.07	0.19
Education	0.34	0.33	0.35
Unallocated	0.02	-0.01	0.04
Capital	2.10	1.62	2.57
	•	•	
•	•	•	•
Output per unit of input	4.82	4.60	4.94
Advances in knowledge	1.97	1.42	2.43
•	•	•	•
•	•	•	

(1976, p. 38) Denison and Chung (1976) also found that education background is a very important determinant of the quality of labor, and the increase in the education of the labor force was a significant source of growth of national income in Japan. The study showed education contributes about 1/5 of labor input on national income growth. Education emphases one elemental economic truth: human resource development is a slow, long-term, and costly process, but the benefit is great, cumulative, and nearly always outweighs the cost. Intelligent and skilled human beings can make the most productive use of indigenous or imported natural resources. Thus Morishima believes it was entirely owing to the intellectualism of Confucianism that Western science was transplanted smoothly in Japan despite of extreme culture differences (Morishima, 1982)

Though there are still serious problems which education in Japan, which tend to teach by rote and not by reason, employers can still pick from eager, well educated, and highly motivated job applicants. Once on the job, Japanese workers are quick to learn, loyal and industrious. On the other hand, the rote learning and lack of philosophical inquiry in Japanese educational systems has its price. Οn the whole, technical innovation and its prerequisite, research and development efforts, are underfunded and given secondary consideration. It is noteworthy that Japan spends only about 2.15% of its national income on R & D. as opposed to 2.48% in the U.S. and 2.64% for West Germany: "Support for science, though generally modest, is heavily concentrated in areas yielding rapid dividends for industrial growth" (Hofheinz & Calder, 1987, p. 148). There have recently been some efforts to rectify the R & D underfunding in Japan,

where the fifth-generation computer project is receiving government and corporate funding on an unprecedented level. But typically, that project has been conceived as a collective national effort rather than as a private, competitive enterprise. There is a general worry in Japanese society now that rote learning rather than creative thinking might hinder economic growth in Japan in high-tech ages of 21st century.

Education is important in economic growth. As the Chairman of International Business Machine, John Akers said: "Education isn't just a social concern, it's a major economic issue. If our students can't compete today, how will our companies compete tomorrow? " (Akers, 1991, p. 161). With the successful example in Japan, Americans start to pay attention to the quality education issue which is vital to the training of labor, an essential factor in economic production. The Japanese seems to capture this view a long time ago from Confucianism. And in Japan, with her poor natural endowment, human resources become vital in production.

Confucian concept of education and learning serve as a bridge between Western technology and production output. Without a keen attitude toward learning, without her diligent, hard-learning citizens, without a competent and increasing skilled labor force, a good deal of the technological knowledge might well have been wasted or not undertaken in the first place. On the other hand, without advanced technological knowledge, a great sense of learning would not promote economic production with such speed, such as in China itself. Thus, I believe that Confucian belief in the importance of learning contributes to the growth of economy in this light.

3) CONFUCIAN FAMILISM SMOOTHS LABOR RELATIONSHIP

Confucian values generally center around family or clan rules, or the ethical and philosophical beliefs determining behavior within the basic social unit of traditional Chinese life: the extended family. At the heart of these values lies the central concept for one's parents, grandparents and elders in general: "filial piety is a matter of intuitive knowledge and ability, and in fact exists in man's nature itself. Failure to render filial piety to parents is used to be a crime against heaven" (Liu, 1959, p. 84). More generally, filial piety represents the generation obligations linking the young to their elders, and through them to the cultural values and traditions of their ancestors.

In addition, Confucian filial piety includes a set of social norms for behavior that, although traditionally required only of the son as "*ideal gentleman*," ultimately extend to all members of society. Even acknowledging the importance of the family life, however, Confucian filial piety would be unimportant for society as a whole were it not for the fact that "*the clan rules regard it as the basic element in all subordinate-superior relationships*, extending to all elders, and to higher authority and "*superiors in general*" (1959, p. 85). In short, Confucian values came to represent a set of ethical values and social norms which are more group-oriented than most Western socio-economic philosophies, which tend to place more emphasis on individual autonomy and class mobility.

With respect to the role of governments, corporations and larger nationalist loyalties, Confucianism also offers some unique advantages to the new industrial state of Japan. The hierarchical authority of the "scholar-bureaucracy" of ancient China merged with the local authority of clans and villages in dual social structure: "... a national bureaucratic superstructure emphasizing centralization, standardization, formalism... based on a morally oriented social order and the informal primary group" (Yang, 1959, p. 135). C. K. Yang speaks of this "conglomeration" of communities as being held together by 'a common acceptance of the Confucian ideology" (1959, p. 136). Today, this formula might be changed to emphasize a strongly-organized national economy, as the new industrial state has supersede traditional loyalties to imperial or nationalist ideals. The Neo-Confucian economic order is organized within a "highly status conscious society" (1959, p. 140) in which prosperity is a cardinal virtue.

During the Tokugawa period (1600-1868), the most importance social units were the small size farming units, family organization of production, and the unsparing use of hand labor. These family welfare continued to be of transcendent value, its authority immense. Solidarity and obedience were taught to the young as conditions of survival, and these traditional values carried over to behavior outside the family. Between 1868 and 1900, the early stage of Japanese industrialization, Japan was still basically an agricultural country with only one major manufacturing industry, textiles, which were exported to finance the purchase of foreign technology. Ninety per cent of the employees in textile industries were female at that time (Tsunoyama, 1965). They were brought from country areas to work in family workshops. Frequently, agreements were made between the factory's representatives and the family heads and village elders during recruitment. The units of organization were small, the relationship between authority of the managers, elder, male, and urban and workers, young, female, and rural was traditional. Most employers offered the young women in the textile industries benefits such as housing, food, and classes in Japanese accomplishments (Okimoto & Rohlen, 1988).

In the growing importance of the metal and steel industries in 1900, employees were mostly men. These heavy industries constantly needed skilled labor for production. However, there was a shortage of skilled labor during the initial stage of modernization. Employers needed to immobilize the skilled labor and changed their personnel policies to offer their employees the prospects of a career, with better jobs and higher pay after an appropriate lengths of service, and welfare schemes and profits-related bonuses as further inducements to stay. All these are forerunners of these well-known, unique features of Japanese management: lifetime employment and seniority pay. The relationship between managers and employees and between capitalist and labor were essentially harmonious. The spirit in industries were mutual understanding, peace, and solicitude, so much so that it was possible to assimilate the factory to the family. The idea of familism, the epitome of Japanese uniqueness, was perfectly adapted to interpret the idea of harmony and cooperation in relation among employees and between employees and their firms in the labor market (1988). Japanese labor management relationships are a result of heritage, this heritage was derived from Confucian familism.

In Western countries, United States, for instance, unions are established on the basis of trades and related jobs. When negotiating contracts, a company may have to negotiate with as many as a dozen different unions and establish distinct contracts with each before it is able to operate its business. In contrast, Japanese unions are in effect company-based unions, make up of the working force of the company under department chiefs.

Dues are paid directly to the enterprise union, and no national or outside industrial unions representatives sit in on collective bargaining sessions. Japanese unions are separated from the owners' interest, but are often sympathetic to the needs and the requirements of management. However, they are independent and free to bargain over the issues of wages and work conditions in a manner common to unions all over the world (Hiroshi, 1976). Relations within the Japanese company families are not always harmonious, but every effort is made to keep all disagreement within the family. Thus, most strikes are within the control of management.

The major difference from the Western nations lies in the fact that the company-based union members identify closely with economic interest of the company which employs the members. With the national policy of annual bonuses based upon the profits of the company, there is little or no interest in slowing down work, or technological slowdown. The company-based feature of union reinforces employees' loyalty to the company. Workers find little in common with the man doing the same job at another company--that man does not have the same interest as he does in his company's survival.

Familism and loyalty within the company are further cultivated by the lifetime employment system. Underlying this system was a belief on the part of the company that high productive employees should be given legitimated lifetime membership in the family. This career promise is much greater than any practice in the Western world, though it only provide for about 25% of the work force. Management provides in-service training, indoctrination, and active promotion for the employees. The company leadership was expected to, and did provide gifts for marriages, birth, etc. They also act as personal counselors for those who felt the need of assistance. In return for this, the employer had a permanent work force that strongly identified itself with the interests of the company, had a relatively low level of labor unrest, was loyal and dedicated to the needs of the company, and would be not only willing but often eager to work after working hours, without pay, in quality control circles and other programs to improve the efficiency and quality of production for the benefit of the company.

Loyalty is further induced by the unique Japanese practice of wage system, the seniority wage system. Japanese employees' wages are tied to the length of service, pay would grow with the years of service. This practice is, on one hand, to immobilize work force; it is also, on the other, evidence showing the society's respect toward elderly under Confucian influence.

There is obviously a high level of consistency between the Japanese culture and the way corporations operate. Japanese firms are able to function smoothly because they are like extended families. Japanese firms do not need to spend a lot of time and effort solving labor-management conflicts. Management deals with each worker as a family member rather than as a contracted employees. Management's concern for each worker's well-being goes beyond the job and the pay check. The concern increases commitment and loyalty to and identification with the firm. Interesting to note that Japanese bosses do not usually have their own private offices. They are usually seated in the centers of a large office with other subordinates. This signifies the closeness between the employer and the employees. It also foster information flow in the work place that the employer is constantly being informed about the company and his employees. He is like a family head who keeps track of the business of the family units.

The cooperation between management and labor has been a positive factor in the rapid and continuous technological upgrading of Japanese industry. In the United States, technological advance that are often resisted by unions on grounds that jobs will be sacrificed. In Japan, jobs cannot be sacrificed, and any technological advance that increases productivity benefits everybody.

4) CONCLUSION: CONFUCIANISM IN THE NATIONS OF EAST ASIA AND THE FUTURE OF NEO-CONFUCIAN ECONOMIC DEVELOPMENT

Just as the Confucian culture of discipline, group loyalty and benevolent paternalism has migrated outward from its point of origin in mainland China, so has the pattern of economic development now taking place on the periphery of the mainland and across East Asia.

We have seen that Confucianism in its modern manifestations is a social ethic based on group solidarity, In contrast to the much-celebrated Protestant work ethic at the root of western economic and industrial development. the Asia work ethic seems to deliberately down-play individualism and special interests, in favor of stability and social harmony. As Lucian Pye (1985) observes, such a work ethic seems not to be incompatible with capitalism and individual prosperity: "The success of the Japanese , and now of the Koreans, Taiwanese and Singaporeans, in building modern institutions through strong group loyalties suggests that individualism does not have to be either a prerequisite or a consequence of economic development" (1985, p. 178). Yet Neo-Confucian values are clearly interpreted and developed differently within the different social and political cultures of Japan and other East Asia, which range from archcapitalist Hong Kong to a very different ethic cultures in South Korea and Singapore.

The system of "Confucian Benevolence" in East Asian

labor relations implies that management paternalism will give workers good wages, job security and ample side benefits without requiring coercion or confrontation to do so. The actual implementation of such a system must vary from country to country, but the essential pattern of non-confrontation, institutional paternalism is to be found across East Asia. As Hofheinz and Calder point out, "in Japan, Confucian benevolence is the monopoly of the private firm... Wrapped in a cocoon of corporate paternalism, within a web of human ties centering on the workplace, the Japanese worker cooperates closely with management. In China and North Korea, labor paternalism`is the province of the state, which owns the enterprise in which workers spend their lives. The myth that the workers own their government informs the reality that factories provide permanent employment" (Hofheinz and Calder, 1987, p. 113). Although wages and living conditions differ dramatically between the capitalist and communist countries of East Asia, there is an underlying uniformity in the philosophical approach to relations between workers and management.

The bureaucratic emphasis on government control of finance, industrial policy and education are other aspects which link the disparate systems of China, Japan, Taiwan and Korea in a "*neo-Confucian*" ethic; only wide-open Hong Kong, and to a lesser extent Singapore, stands outside this tradition among the new giants of industrial East Asia. The banking systems of Japan, Taiwan and Korea, says Robert Wade

(1985), are used "in a subtle way to help effect national industrial policy," through strict management of credit and the cost of capital, balance of payments flows, and foreign exchange transactions: "Taiwan, Japan and Korea have financial systems far from the liberal type: with tight controls over interest rates, limited choice of financial instruments, limited fund ... savers in Taiwan, Japan and Korea have few options other than to put their savings into a bank ... and banks have limited autonomy and are few in number..." (1985, p. 123). Wade (1985) also remarks upon the "guided sectional mobility" made possible by a national industrial policy, the lack of foreign borrowing made possible by the world's highest proportions of investment and savings to income, and the reduction of financial instability made possible by the reliance upon government-dominated banks for virtually all financing. All contribute to the Confucian pattern of benign, government-guided capitalism in which the approach to relations between capital, private property and the state are fundamentally different from that of the more unstructured Western industrial nations.

Taiwan, Hong Kong and the People's Republic of China might also be taken as vastly different East Asian economic systems, the first two arch-capitalist and the latter Marxist-Leninist, but similarities in cultural outlook in these Chinese nations all reveal the imprint of Neo-Confucian economic ideology society in a series of Five Year plans, so have the fiercely anti-communist Taiwanese allowed the government to directly restructure their national economy: "What has counted for Taiwan is a series of four years economic plans begun in 1953. They have taken the offshore province from abject poverty... to the brink of a consumer boom. They did so by re-modeling the structure of the economy: in 1952 agriculture's share of gross domestic product was 32% and industry's was 22%, today, agriculture accounts for less than 6% of GDP and industrial output for around half" (Transition on, 1988, p. 5). Although the Confucian ethic was essentially agrarian in ancient times, its modern counterpart is aggressively industrializing, with countries like Taiwan and Korea pursuing industrialization in a forced program similar to that imposed on China by Mao.

Another common aspect of Neo-Confucian ideology to be found in East Asian countries from Communist China to Capitalist Taiwan is the emphasis on political stability at all costs. but it has re-emerged as a dominant theme of the new regime, which seems to be seeking a new set of ethical standards; traditional religion---and traditional Confucianism in particular-- is suddenly being rehabilitated in the People's Republic, and in 1988, a celebration of Confuciu's birthday was taken place in the People's Hall in Beijing, to be followed by a major conference on Confucianism. Once seen as a force preventing modernization through its authoritarian and hierarchical value system, Confucianism is now seen by Chinese Communist leaders as a possible means of instilling a work ethic and economic morality during the gradual introduction of free markets.

While the underlying principles of Neo-Confucian culture are found to some degree in all of the East Asian countries under discussion, their impact on policies for economic development has obviously been very different in each country. Perhaps the greatest differences lie between countries like Japan, Hong Kong and Singapore, which have achieved to a remarkable degree the economic and social stability so highly value in Confucianism, and countries like South Korea and the People's Republic of China, where the rapid pace of development has led to considerable social and political unrest in the last few years. South Korea, for example, has pushed industrialization and support growth at the expense of housing, health care and democratic values in government. T. W. Kang (1989) argues that without more attention to these considerations, which lie at the heart of the Confucian ethic of authoritarian paternalism, South Korea will become mired in the sort of ongoing disturbances that have plagued that country in the 1900s (1989).

Taiwan's prospects for continued economic growth and export expansion are perhaps as good as any other of the East Asian nations, in spite of that country's current status as a virtual outcast in the world political community. Like Japan, Taiwan must now work to avoid alienating its trading partners in the West, with whom it enjoys a huge, almost embarrassing trade surplus: "... Taiwan sells too much and buys too little for good relations with its trading partners. in 1981 the trade surplus was \$1.8 billion; by 1984 it was \$9.2 billion. Last year (1987)) it was around \$19 billion ... At the end of last year these reserves were a stupendous \$75 billion..." (Transition on, 1988, p. 6). With savings rates around 40% and investment rates only about 18%, Taiwan now has sufficient foreign exchange reserves to pay its entire import bill for the next two-and -a-half years. Some have attributed this success to the state's rigorous discipline of the economy (Gold, 1985). But at least part of the credit must go to the Neo-Confucian value system which emphasizes saving, thrift and economic self-discipline at the private level.

Of such greater interest and urgency is the question of the economic and social integration of Hong Kong with the People's Republic, scheduled for 1997. Even at the current pace of economic and political liberation in the mainland, the tremendous differences between the freewheeling former British colony and the socialist mother country are so great that the Deng regimes freely admits it must allow a "*twosystem*" state in order to achieve re-unification. The 1983 comments of Communist Party General Secretary Hu Yaobang to the Japanese Press reveal that the Chinese are counting on a certain similarity of Confucian pragmatism to smooth over the difficulties of this last, great transition for Hong Kong.

While countries like the Philippines and Australia have pursued explicitly Western models of development, and countries like Thailand and Indonesia more esoteric Buddhist and Islamic cultural models, the nations of East Asia have adapted the cultural models, the cultural values of Neo-Confucianism to build a hugely successful engine for economic development. It now remains to be seen whether the largest and most important of the Neo-Confucian cultures, The People's Republic of China, will follow this path.

If it is true that China "remains atypical of the region today," it is not necessarily true that a Communist nation cannot adapt itself to pragmatic Neo-Confucian development policies while retaining the shell of a socialist system. At present, "China ... is not a trading nation. Its vast agricultural population and inaccessible interior make foreign contacts difficult..." (Hofheinz & Calder, 1987, p. 63), and an export-based economy a remote prospect. But if the Deng regime succeeds in continuously pushing for economic liberalization, China may well rank among the most powerful of the East Asian Neo-Confucian economies by the beginning of the next century.

In summary, due to the limit scope of this study, it is difficult to link neo-Confucian culture as a direct cause of the economic growth of Japan, and the area of cultural explanation of any economy is still controversial in the Economic field. However, without doubt, neo-Confucian culture has provided a favorable condition, if not a cause, for the economic growth of Japan. Its ideology on learning and filial piety serve as catalysts in the "take-off" stage of modernization and economic development in its land, in which a technical-skilled labor force and relatively harmonious labor-management relationship painlessly transfer Japan from an mountainous country to a world economic power in less than two centuries.

BIBLIOGRAPHY

Abegglen, J. (1958). <u>The Japanese factory: Aspects of its</u> <u>social organization.</u> Glencoe, IL: Free Press.

Akers, J. (1991, April). Fortune, p. 161.

- Anderson, R. S. (1975). <u>Education in Japan: A century of</u> <u>modern development</u>. Washington D.C.: U.S. Government Printing Office.
- Ayal, E. B. (1963). Value systems and economic development in Japan and Thailand. <u>The Journal of Social Issues</u>, <u>19</u>, 32-43.
- Boltho, A. (1975). <u>Japan: An economic survey</u>. New York: Oxford University Press.
- Brinkman, R. (1981). <u>Cultural Economics</u>. Portland, Oregan: Hapi Press.
- Chang, C. (1957). <u>The development of Neo-Confucian thought</u>. New York: Bookman.
- Chen, E. (1979). <u>Hyper-growth in Asian economies</u>. New York: Holmes & Meier Publisher, Inc.
- Cooney, B. (1989, August). Japan and America: Culture counts. <u>Training & Development Journal</u>, pp. 59-61.

Cyr, R. (1990, September). Client relations in Japan.

Training & Development Journal, pp. 83-85.

- Denison, E. & Chung, W. (1976). <u>How japan's economy grew so</u> fast. Washington D.C.: The Brooking Institution.
- Dillon, L. (1990, May). The occidental tourist. <u>Training &</u> <u>Development Journal</u>, pp. 72-77.

Dolliger, M. J. (1988). Confucian Ethics and Japanese

Management practices. Business Ethics, 7, 575-584.

- Dore, R. (1986). <u>Flexible Rigidities</u>. London: The Athlone Press.
- Dore, R. & Cabale, J. B. (1989). <u>Japan at work: Markets</u>. <u>management and flexibility</u>. Paris: OECD.
- Frankenstein, J. & Hosseini, H. (1988, July). Advice from the field: Essential training for Japanese duty. <u>Management</u> <u>Review</u>, pp. 40-43.
- Gardner, H. S. (1988). <u>Comparative economic systems</u>. The Dryden Press.
- Glazer, N. (1976). Social and cultural factors in Japanese
 economic growth. (H. Pactrick & H. Rosovsky, ed). Asia's
 new giant: How the Japanese economy works. Washington
 D.C.: The Brooking Institution. pp. 816-21.
- Gold. T. B. <u>State and society in the Taiwan miracle</u>. Armonk, N. Y.: M. E. Sharpe.
- Gudeman, S. (1986). <u>Economics as culture</u>. Boston, MA: Routledge & Kegan Paul.
- Hall, J. W. (preface), (1975). Education in Japan: A century
 of modern development (R. S. Anderson). Washington D.C.:
 U.S. Government Printing office, p. v.
- Harding, H. (1987). <u>China's second revolution</u>: <u>Reform after</u> <u>Mao</u>. New York: Brooking Institute.
- Hofheinz, R. & Calder, K. (1987). <u>The Eastasia</u> <u>edge</u>. New York: Basic Books.
- Internationalization and cultural friction (part 1). (1989, May). <u>Business Japan</u>, pp. 41-42.

- James, D. L. (1989, November). The art of the deal (Japanstyle). <u>Business</u> <u>Month</u>, pp. 93-94.
- Japan compared. (1989, December 24). <u>The Economist</u>, pp. 48-50.
- Japanese company. (1990, Nov-Dec). <u>Harvard Business Review</u>, pp. 167-176.
- Johnson, C. (1984, September). The Mouse trapping of Hong Kong. <u>Asian Survey, XXIV, No. 9</u>, 887-909.
- Kahn, H. (1979). <u>World economic development</u>, <u>1979</u> and <u>beyond</u>. Boulder, CO: Westview Press.
- Kang, T. W. (1989). <u>Is Korea the next Japan?</u> New York: The Free Press.

Kotkin, J. (1989, July). Second thoughts. Inc. pp. 28-29.

- Lau, L. (ed.). (1986). <u>Models of development: A</u> <u>comparative study of economic growth in South Korea and</u> <u>Taiwan</u>. San Francisco: Institute for Contemporary Studies.
- Mason, R. (1980). <u>The economic and social modernization of</u> <u>the Republic of Korea</u>. Cambridge, MA: Harvard University Press.
- Morishima, M. (1982). <u>Why has Japan succeeded?</u> <u>Western</u> <u>technology and the Japanese ethos</u>. London: Cambridge University Press.
- Mortellaro, J. S. & Taniguchi, K. (1989, February). Business across a cultural void. <u>International Marketing</u>, pp. 62-71.

Nivison, D. S. & Wright, A. E. (ed.). (1959). Confucianism in

action. Stanford, CA: Stanford University Press.

Ohkawa, K. & Shinohara, M. (ed). (1979). Patterns of

Japanese economic development: A quantitative appraisal. New Haven: Yale University Press.

Okimoto, D. & Rohlen, T. (ed.). (1988). <u>Inside the Japanese</u> <u>system</u>. Stanford, CA: Stanford University Press.

- Ozawa, T. (1982, October). Japanese chic. <u>Across the Board</u>, pp. 10-13
- Pan, L. (1988, May 19). Playing fast and loose with Confucian value. <u>Far Eastern Economic Review</u>, pp. 46-47.
- Pan, L. (1989, February 9). Playing the identity card. <u>Far</u> <u>Eastern Economic Review</u>, pp. 30-37).
- Pye. L. W. & Pye, M. (1985). <u>Asian power and politics: The</u> <u>culture dimensions of authority</u>. Cambridge, MA: Harvard University Press.
- Reischauer, E. D. (1977). <u>The Japanese</u>. Cambridge: Harvard University Press.
- Smith, W. E. (1959). <u>Confucianism in modern Japan</u>. Tokyo: Hokuseido Press.
- Soo, H. S. (1985, August 8). Of economic success and Confucianism. <u>Far Eastern Economic Review</u>, pp. 104-106.

Tai, H. C. (ed). (1989). <u>Confucianism</u> and <u>economic</u> <u>development</u>. Washington D. C.: the Washington Institute Press.

Takahashi, K. (1969). <u>The rise and development of Japan's</u> <u>modern economy</u>. (J. Lynch, Trans.). Tokyo: The JIJI Press, Ltd. There is nothing immoral about getting rich. (1984, March

22). <u>Far Eastern Economic Review</u>, pp. 26-27. Transition on Trial: A survey of Taiwan. (1988, March 5). <u>The</u>

<u>Economist</u>. Survey, pp. 1-18.

Tsunoyama, S. (1965). <u>A concise economic history of modern</u> <u>Japan</u>. Bombay: Vora & Co. Publishers Private Ltd.

Vogel, E. F. <u>Japan</u> <u>as number</u> <u>one</u>. Cambridge, MA: Harvard University press.

Wade, R. (1985, Summer). <u>East Asian financial systems as a</u> <u>challenge to Economics</u>. California Management Review, pp. 107-127.

Weber, M. (1930). <u>The Protestant ethic and the spirit of</u> <u>Capitalism</u>. (T. Parsons, Trans.). London: G. Allen & Unwin.

Weber, M. (1951). <u>The religion of China</u>. (H. H. Gerth Trans.). Glencoe, IL: Free Press.

Welty, P. T. (1980). <u>The Asians: Their heritage and destiny</u>. New York: Harper and Row.