

THE DEVELOPMENT OF JAPANESE CAPITALISM AND THE INFLUENCE OF CULTURE

Japan is one of the world's leading powers, second only to the United States in terms of economic and technological advancement. It is also a fascinating country with a long history, rich culture and a keen sense of global citizenship. Japan is a country that has evolved from an agricultural, sub-standard industrial society to one of the world's most advanced, industrial and technological countries in the world. It is also one of the closest allies and most important economic partners of the U.S. The scale of Japan's growth is easy to demonstrate but understanding the reason is much more difficult, especially when this country was completely destroyed after the Second World War. The end of the Pacific War in 1945, should have economically and psychologically spelled doom for Japan. "By the end of the Pacific War the volume of Japan's industrial production was less than thirty per cent of her output in 1936. Tokyo was literally three quarters flattened. The Japanese Navy was at the bottom of the sea and so was most of the merchant marine" (Yoshihara, 1939). The Japanese had no exports, no foreign trade, and inflation destroyed all of Japan's private savings. The total estimate of damage caused by the Pacific War to the Japanese General Wealth was 65 302 million Yen. However, the Japanese found a way to recover its economy within ten years, despite numerous problems. Overall, the Japanese economy was the highest growth rate in the world after World War II. With astounding facts like this, one should consider why and how the Japanese were able to recreate a booming and wealthy nation despite all of its adversities. There are 2 competing views which can explain the successful of Japanese capitalism: the first one is the influence of culture and the latter is a universalistic view which includes several factors such as industrialisation, economic and sociology. Japan's success is not just a case of good technique and technology in business, but a real recognition and development of the necessary human skills. In the shape and size of this essay (limited by 2500 words), I am going to discuss about the influence of culture on the development of Japanese capitalism and to what extent culture impinge upon this development.

Japan's economy continued to expand rapidly from the mid-1950s through the 1960s, experiencing only two short recessions, in 1962 and 1965. The annual growth rate averaged close to 11% in real terms for the decade of the 1960s. This compared with 4.6% for the Federal Republic of Germany and 4.3% for the United States in the period from 1960 to 1972. And it was well above twice Japan's own average prewar growth rate of about 4% a year. "It is generally agreed that the rapid expansion of Japan's economy from the late 1950s through the 1960s was powered by the vigorous investment of private industry in new plant and equipment. The high level of saving of Japanese households provided banks and other financial institutions with ample funds for heavy investment in the private sector. The upsurge in capital spending was associated with the introduction of new technology, often under license from foreign companies. Investment for modernization made Japanese industries more competitive on the world market, created new products, and brought Japanese enterprises the benefits of mass production and improved productivity per worker" (Abe, 1995). Another factor behind Japan's economic growth during this period was the availability of an abundant labor force with a high level of education. Reasonably large numbers of young people entered the labor force every year, and there was also a heavy migration of agricultural workers to manufacturing and service jobs located mostly in the larger cities. As best exemplified in the 10-year Income-Doubling Plan announced in 1960, the Government's economic policies at the time aimed to encourage saving, stimulate investment, protect growth industries, and promote exports. Japan benefited from an expansionary world economic climate and the availability of an abundant supply of relatively cheap energy from abroad throughout this period. After a short recession in 1965, the Japanese economy enjoyed a long period of prosperity until around the summer of 1970, with the real growth rate during this period averaging close to 12%. The main factor behind this growth was rising capital investment, used for major outlays designed to bring about economies of scale, build additional facilities to increase export capacity, and acquire equipment needed to respond to changes in the economic and social environments, such as labor-saving tools and pollution-cutting devices. Increases in exports due to the stronger price competitiveness of Japanese products also supported the sustained rise in business activity.

The Japanese economic miracle is complex and can only be explained by looking to political, cultural, and economic reasons. It rests on the government's taking responsibility for social welfare, vocational training, and education. Japan is a culture where human relations and preservation of

harmony are the most important elements in society. "It is their sense of identity and destiny which gives their industrial machine its effectiveness. Among the Japanese, there exists an instinctive respect for institutions and government, for the rules of etiquette and service, for social functions and their rituals of business" (Koike, 1988). Japan is a traditionally crowded island; the people are forced to share the limited space with each other and to live in harmony. The Japanese are very protective of their culture. They are very conservative to outside intrusion. Their distinctive ways are a source of pride and national strength. Japan's striving for purity is very different from a North American idea of open doors and diversity as strength. Japan is relatively closed to immigration to outside countries. However, this feeling of superiority does not stop them from being careful. This is probably because the Japanese know their economic house is on shaky ground, literally. "Japan is eternally at nature's mercy, vulnerable to the sea that surrounds it, to earthquakes of the soil beneath it and a real shortage of raw materials, particularly food and fuel. A period of extended isolation could be disastrous to the country. Japan's trade surplus is its only generator of wealth" (Inkster, 2001). This is a fact of life that is preached through the media and taught constantly to Japanese throughout their lives in school, from parents, and when they enter the working world. The message is clear: Japan is always vulnerable, we must protect her. Obsessed with national character, the Japanese are proud and ambitious; constantly measuring themselves against the world's best and biggest. Accordingly, one of the main sources of Japan's strength is its people's willingness to sacrifice, to be regimented and homogenized, and to subordinate personal desires to the harmony of the working group. The Japanese people have had to become a group-oriented society. While in the western world, individuality and independence are highly valued, Japanese society emphasizes group activity and organization. People accept that they will belong to one social group and work for one company for life. The crowded island conditions have driven society to value conformity. Japanese have learned to share their limited space and value the precious distance between themselves and others. The culture that Japanese people are brought up in causes them to recognize that they have to work together to succeed. Only harmony will provide improvement. This development of the human nature and attitude relates directly to Japan's business practice and provides a basis for good business relations. It is apparent that the acquisition of cultural traits can only be explained historically, and one recurrent theme is the historical influence of geographical and physical adversity. For example: "in order to pursue wet paddy rice farming, the village communities of pre-industrial Japan had to be bound together, and family connections cemented this

social and economic interdependence. Just as individual were linked to families, families were linked to village communities, village communities looked to local lords for protection and favour; just as local lords looked to the Tokugawa shogunate” (Abe, 1995).

Although having had a very unique culture, Japanese are also good at mixing other cultures with theirs. As a result of this blending; they come out with their own identity. China was the most importantly influenced. “Buddhist and Confucian philosophy is the basic framework the Japanese use to develop their way of thinking. Buddhist was contributing the way of life. The Confucian taught the Japanese about traditional value, external values, and harmony within the society, while at the same time emphasizing the collective aspect of the social order” (Coates, 2000). These systems are the most important thoughts of Japanese management system. The Japanese used these influences to reject individualism. They prefer the natural order represented by people living in human community, rather than by individual living in the state of nature. Even though Japanese culture had a lot of influence by others, Japanese still use their own culture to develop their management system. One of the Japanese traditional values is the samurai. Samurais are a leader in a society. They have three codes: first, giri, social obligation, second, on, the concept of benevolence and thus obligation to the lesser status, third, ninjo, a human feeling- a kind of tolerance for human nature. These three characteristics are known as the code of ethics in a professional's life. Beside these three, samurai are also known for the loyalty to their landlord. Today's Japanese dedicate their life to a corporation for their work. These system in their society are well known and apparently will be used as long as this form of elitism justified itself through legitimate behavior. “Japanese firms used Ringi-sei to make a decision regarding firm decisions. Ringi-sei is a document circulated from the bottom levels of management to the top, and requires the signature of each manager at each level involved before a decision can be implemented. The top managers only act as a facilitator to the lower management, and if the decision is made then the upper management will look at whether it is proper or not” (Hanami, 1979). These systems of decision making will allow everybody to participate in an organization. The classical Asian assumption about seniority and age are the main influence in Japanese management. The junior management is always learned and they have to respect the senior management. They must trust the senior management just like the son to their father. In term, the senior management has a responsibility to give their knowledge and leaned younger guy. The upper managers have a big responsibility for their subordinates. Therefore, the

upper managers have a freedom in hiring them and encouraged them to reach higher productivity. To have a successful career the junior management has to learn everything. There is no fast track; everybody will get promotion in time. Subordinates look up to the seniors. This maintains the relationship very well.

In this essay, our concentration is on culture perspective; therefore I will only briefly mention other factors and their relation with culture. Firstly, it was the industrialization process, started with the Meiji restoration that had modernized Japan and helped them avoid foreigner's invasion threat after China's defeat by Britain in the First Opium War. "The government adopted many policies designed to create a modern economy and society. Students were sent to Europe and the United States to study modern science and technology, while foreign experts were hired to help establish factories and educational institutions. These foreign experts, teachers and advisers were not employed for long; once the Japanese mastered a particular job or skill a Japanese employee replaced the Westerner. The Bank of Japan was established, fiscal policy reformed, and civic unrest firmly suppressed" (Fewster, 1988). All of these factors contributed to the success of Japan's modernisation. Modernisation brought schools to the villages and growing contact with the outside world in the form of roads and railways, government instructors gave advice to the farmers on new crops and methods of farming. Japan had embarked on a radical program of political centralization, institutional change, and economic modernisation dedicated to building national wealth and power by adopting new ideas, institutions, and practices from Western countries. This was successfully achieved by basing its decisions on wide consultation; seeking knowledge from the Western world and abandoning outmoded customs. However, the new industrial system also has some unique characteristics, which are rooted in Confucian culture and distinctive of Japanese, such as the emergence of some big industrial groups called Zaibatsu. These family owned companies could initiate a series of unrelated development. They could provide financial, supply, marketing contact for enterprises.

Another factor is organizational capability. It is factory level organization has been driving force behind Japanese competitiveness. During 1950s and 1960s decades, Japanese companies developed methods and system which proved more efficient and productive than the US mass manufacturing. Furthermore, the logic of learning organization being focused in their activities and opting for

vertical integration, encouraged effective management. “Those well known attributers of human organization within Japanese corporation: mutual respect, seniority, lifetime employment, company unions... have fulfilled the economic requirement of corporation. A permanent, highly motivated, flexible workforce enable Japanese firm to maximize their investment in production technology” (Abe, 1995). Those particular traits listed above are also significantly affected by Japanese culture.

In conclusion, although Japan was heavily destroyed after the Second World War, Japanese capitalism had recovered and rapidly became an economic superpower by adopting a suitable industrial system to maximise capability of Japanese manufacturing. On the other hand, the roots of the success can be traced back to the skills developed through culture and education, and the healthy attitudes developed by the Japanese employment system. The Western world could learn much from what makes the Japanese successful in business. It is not just a case of adopting Japanese techniques and technology but of recognizing and developing the necessary human skills. The East has borrowed heavily from the West in improving its business performance; the West could also take note of the lessons of Japanese history and culture and consider applying them in its own organizations.

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