

An Essay on Barriers to the Ventures

Satoshi Kuribayashi

This short essay on barriers to the ventures is a sequel to my previous papers on Asiatic Ethics¹ and on the failure of Japanese Big Bang².

Not only the economic factors but also ethical and political ones are discussed in the context how they work as barriers to the ventures.

The complete version of this essay will be followed soon, which explicitly intends to touch upon the crucial topics relevant to the ventures in a systematic and comprehensive framework.

1. Pseudo-Capitalism

Modern capitalism is an economic system admitting private property. Japan is a capitalist economy as far as this key concept is concerned. But other significant derivative elements of capitalism lack in Japan.

In a word Japan is nothing but a bureaucratically centralized economy. Decision-making follows top-down style which hampers fresh bottom-up decision making. 'Top' is bureaucrats and 'Bottom' is private sectors.

Amakudari is a good example.

The central place of capitalism is stock exchange. In Japan, The Chairman of the Tokyo Securities Exchange (TSE) has been occupied by the ex-vice minister of the Ministry of Finance, leader and stubborn protector of non-competitive policies in domestic and international financial activities. Now TSE is reorganized as a private enterprise but still CEO is an ex-MOF man. Is it possible for one to consider the newly-born TSE as a healthy company whose objective is to maximize profits under the management of ex-MOF person?

Amae prevails among the private sector and gerontocracy dominates in this country. Thus, unbelievable follies such as using public funds to save private firms in trouble are everyday incidents. Government uses the word of 'public' funds instead of taxes to make the meaning ambiguous.

Venture spirits or entrepreneurship fade away and die naturally in this system.

The global standard today is an amalgamation of Anglo-Saxon elements which consist of free market economics, fairness, democracy, business-like politics, disclosure, etc.

In Great Britain, for example, capitalism is best observed in gradual but incessant reformation and innovation, vital elements of Schumpeterian entrepreneurship and creative destruction or of Keynesian animal spirits.

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The essence and the most important factor of capitalism are characterized by ‘animal spirits’ and ‘creative destruction’. Their implication is most significant in the sense that the economy which lacks animal spirits and creative destruction (carried out by entrepreneurship, or venture spirits in modern parlance) is not a capitalist economy.

In politics, the same applies. The body politic of Japan with Asiatic ethics is *Gerontocracy*. As represented by the Liberal Democratic Party faction leaders, they never retire. Probably they are infested with Plutocracy. Plebiscite democracy was ostracized by the mob who expect perquisite accrued from their election ballots. This may lead to *Mobocracy*.

No leaders are available in politics nor in economics. Compare this with an observation of Hippolyte Taine on the English gentleman who led Getlemanly Capitalism: “Gentlemen were the most enlightened, the most independent, the most useful citizens in the country and a real gentleman is a real noble.... capable of sacrificing himself for those whom he leads.”

This is the positive human factor whose polar alternative is the Japanese-style negative human factor. All of the observations above and below illustrate the moral divide between Japan and England, don’t they?

The leaders in the political, bureaucratic, industrial and even academic domains of collectivist, authoritarian nations appear not to share Western people’s firm belief in free competition, civil liberties, efficiency, free-market-democracy, &c.

It has been impossible to explain Japan’s economy in capitalist framework

2. Perspiration

It is said that Asian economic growth was sustained mainly by perspiration rather than inspiration. Japan is not an exception. Perspiration works by physical efforts rather than intellectual efforts. The value of manufacturing is appreciated only in Asia.

Perspiration vs. inspiration may be paraphrased by manufacturing vs. information.

In the age of network society, however, inspiration dominates over perspiration, quality over quantity, efficiency over physical efforts, and information over manufacturing.

Several Asian nations still prohibit free access to Internet. This is another example of ‘digital divide’ in a global scale.

A few words on education.

Veblen pointed out the recondite element in learning. Education is still, as it has been in all ages, a very attractive and effective element for the purpose of impressing, or even imposing upon, the unlearned. Japan is far behind in learning English among the other nations.

The standing of the savant in the mind of the altogether unlettered is in great measure rated in terms of intimacy with the occult forces. The savant in PC and Internet. Veblen said that in point to derivation, learning, as well as the priestly office, is largely an outgrowth of sympathetic magic; and this magical apparatus of form and ritual therefore finds its place with the learned class of the primitive community as a matter of course.....so that their presence as an integral factor in the earlier phases of the development of magic and science is a matter of expediency.

Another forgotten Japanese thinker put it similarly: To consider learning and knowledge as ‘a power’, or as a privilege or rice and bowl superior to others is nothing but the groundless anachronism which requests the present age to return to the primitive age when the letter had a magical power and the astrology was an instrument of the reigns by priests.

Education in Japanese schools does not adjust to the age of globalization and Internet. Here *amakudari* from the Department of Education to the private schools are still very powerful.

One may recall the denouement of the Buddenbrooks written by Thomas Mann. Economists might say that prosperity of a family in a capitalist world will decay in three generations. The younger generation of Japan belong to the third generation and resemble the last scion of the Buddenbrooks in their weaklingness, physical and mental. Did the third-generation Japanese people forget perspiration?

3. Inertia

As said above, Japan is a centralized bureaucrat system, an elysium of gerontocracy, and a country in the Unchanging East. All of this forms inertia.

Two inertias should be pointed out: one is the ascending inertia and the other the descending.

The former is protection by the fixed rate of exchange of ¥360 that was the main accelerator of the post-war economic miracle of Japan.

A longtime blowing divine wind (*kamikaze*) was over. A farewell to the *paradis artificiels*. Then comes deflation spiral.

The latter inertia is a sequel of the bubble burst which is a contagious disease currently spread among all the generations of Japanese which may have been too old and deeply rooted in the popular mind to be eradicated by logic. This inertia has ‘an anesthetic effect of custom’.

The descending inertia is much stronger than the ascending due to the law of gravitation. Japan is still the second largest economy in the world in terms of GDP and her financial assets well exceed fourteen hundred trillion yen! By the bye, according to Veblen, social inertia and psychological inertia support wrong conservatism. This leads to people’s ‘psychological craving for authority’ or ‘road to slavery’

Global standards, more specifically, Anglo-Saxon style of rationality and efficiency in capitalism, will never be accepted in Japan.

The descending inertia is accelerated by administrative guidance, nepotism, *dango* (underground negotiation intending to negate the competitive bidding), authoritarian and discretionary regulations, lack of full disclosure of information, convoy system, arbitrary and discretionary regulations, Japanese-style management, &c. Bottom-up decision making such as *nemawashi* and *ringi* is a means of consensus in Japanese-style management, which is an obstacle to speedy and timely decision making. And finally come a free lunch and corruption

Capitalistic development is impossible without the flexible working of democracy, fairness and the market mechanism.

Asiatic ethics has been unchanged hundred years and among nations. Then, the theory of inertia would apply to Asia as well as to Japan from now onward.

4. Risk and Return

The Bank of Japan has done an unparalleled folly in modern economic history. The Bank purchased extremely low-priced stocks held by Japanese banks. Any central bank in industrialized countries has never committed this.

Much worse is that the Bank declared that they are going to sell these stocks without any loss in the future. Even some economists supported the idea.

Japanese economists and central bank seem to be unable to understand the concept of risk.

Also, management failed to recognize the implication of ‘opportunity cost’, a benchmark for any (risky) investment project, which rationally compares the latent profits expected from the project with its costs incurred. One of the most influential bankers said shamelessly that retained earnings (belonging to shareholders) were ‘no-cost funds’. He believed firmly that any project should be done through taking advantage of ‘no-cost funds’. A good example of free lunches!

Part of this misconception came from the fact that shareholders embraced no risk in their stocks. Thus, their equity was taken as bearing ‘no risk’. At the same time they never behaved properly as shareholders. Japanese style management is a paragon of paradox in the context of competitive efficiency and rationality. It is an immemorial antiquity.

Its three underpinnings, i. e., seniority, life-time employment, and in-house union, helped produce molly-coddles, a deformed product of paternalism, among employers and employees. This management style worked well only in the cage, and now a mirage like Bushido. One and only positive contribution of Japanese style management is ‘Quality Control’, which was not original but imported.

Japan was attacked by the bubble. Innocent, naive people, self-called ‘investors’, believing only in the ever-growing up of asset prices, were not immune against ‘risk’ at all.

Japanese version of NASDAQ failed. No angels, no knights among venture capitalists at all.

In any capitalist economy, there is a trade-off between Risk and Return.

More specifically, there must exist a positive trade-off between risk and return.

Keynes’ animal spirits and Schumpeter’s entrepreneurship should be considered in the dimension of positive risk-return tradeoff.

In Japan, however, surprisingly enough, ‘negative’ trade-off between risk and return is rampant. This is observed not only in economic affairs but also in politics. The root of every evil in Japan.

To use Max Weber’s Ideal-Typus framework in social sciences, Japan and ever-unchanging Asia have been and will be infested with negative trade-off between risk and return.

Notes

1. Satoshi Kuribayashi, “Built-in-Tradeoffs—Asiatic Ethics vs. Anglo-Saxon Rationality”, *Information and Communication Studies*, 1999.
2. Satoshi Kuribayashi, “Big Bang”, *Information and Communication Studies*, 2000.