

The Japanese Economy: A Visitor's Impressions

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This paper will, of necessity, have to be a qualitative one due to my short time in Japan and the fact that much published economic data is in Japanese only.

Some forty-five years ago World War Two finished and it was thought at the time that the Japanese economy, too, was finished. Few countries suffered such damage to their productive capacity and infrastructure. Fire bombing towards the end of the war devastated the Kanto region and it is said there was little standing but bath house chimneys. Japan is well known for being practically devoid of natural resources. It was thought that the best that could be hoped for was that someday Japan would be a third world economic power. Nobody at all predicted that Japan would occupy its pre-eminent position among the world's economies. Granted, the Gross Domestic Product of the U.S.A. is still considerably higher than Japan's but the U.S.A. has over twice the population of Japan. When the vital economic indicator of G.N.P. per capita is used then Japan's achievement can clearly be seen. Japan's GNP/capita is second in the world — just behind the capital-rich Swiss. [1988 figures]

Now, much has been made in explaining this success of the roles of M.I.T.I., banking system, targetting of foreign industries, government monetary and fiscal policy etc. Perhaps it is time to look more at the characteristics of the Japanese people and their role. Naturally some of this has been studied before — notably the role of the Japanese salaried

worker — but I believe that there are several other human factors behind the Japanese economic dynamo.

Pre-eminent among these factors is what I call the “Great Japanese Employment Machine”. Now, many say that Japan has no social welfare system and is behind the rest of the world in this. I maintain that is nonsense and that Japan has a “defacto” social welfare system — at least as regards employment — which works very well indeed. I call it the “Great Japanese Employment Machine” and firmly believe that it is one of the vital factors contributing to this country's success.

One of the first impressions I got when entering Japan for the first time in 1985 was how many people are employed in very minor, or even trivial jobs. One goes to a famous department store and finds beautifully dressed young ladies at the doors — occupied, bowing to customers, others wipe escalator handrails clean while yet others dust display cases that are already dustless. Nor is this effect confined to large stores. The local gas station has a cast of its own. One pulls up to buy a little petrol for one's bike or car and as many as 5 people descend on your car and busy themselves cleaning mirrors, windscreen, ashtrays, checking tyre pressures etc.

This level of service is, to a westerner, astonishing. This kind of service disappeared decades ago and one is lucky now to get the gas pumped into your tank. It is possible to argue that such service is unnecessary. and that you pay for it through the high cost of petrol and so on but it is undeniably pleasant to receive such service. But I believe the its economic significance goes way beyond making customers feel good.

This “great Japanese employment machine” has provided, at the gas

station, five or six jobs for people who would, in many western economies, find it very difficult, if not impossible, to find work, for it is one of the failures of western economies that they do not provide sufficient jobs for un-skilled or semiskilled persons.

In New Zealand, as a high school teacher, it is rather sad to see pupils who are honest, hardworking and of good character but of limited academic ability unable to find work upon leaving school. Often they have little alternative but to go into unemployment benefit (the "dole"). When economic times become hard the first people to lose their jobs are usually the unskilled and semiskilled. The dole is a proven failure economically and socially and the unemployed make no contribution to the countries wellbeing and many social problems — like crime — arise from young people having nothing to occupy them.

I much prefer the Japanese system which seems geared to producing worth-while work for everybody in society. Any job, no matter how humble produces not only income but a sense of pride and self worth. It produces a sense of being part of a team doing a worthwhile job. Even the smallest parking lot produces employment for one or more people in Japan. In the west such ventures are often looked at under the harsh light of economic idealism and it is decided that such a job is not economically viable. For instance, the income from a small parking lot may not be able to support the wages of a parking attendant so a person is not employed. Here it seems different, it almost seems an employer's duty to take on as many staff as possible so in our example here — parking attendants will be hired even though the income from the operation would barely cover their wages. Nor are people in such low-status jobs neglected — many are provided with well designed and attractive uniforms which must add a

lot to their self image. In short I believe that the Japanese economic system works very well at providing employment at all levels.

Another great aid to economic progress is the thriftiness of Japanese people. Personal and household savings here are very high. This thrift provides an immense pool of funds for businessmen to borrow from to expan their businesses. In my own country a lack of thrift and a desire to spend and use credit have led to very high interest rates, e.g. I pay 16% per annum on my house mortgage. A N.Z. businessmen who wants to borrow from his bank will pay around 22% interest on his overdraft. This adds greatly to the costs of running a business and decreases business competitiveness. Japanese businessmen are in the fortunate position of being able to borrow at rates only a fraction of this.

Yet another factor is the extraordinary degree of cooperation between employers and employees in Japan. In the west, systems have evolved between these groups which are usually adversarial. In other words the two groups see each other as virtual enemies. In Japan it is seen that "we're all in this together" and adversaial attitudes seem rare. In the west it is inconceivable that a union would actually be part of a company and would operate on company premises and that union managers would be promoted to other positions in the business.

In the west, union staff members work far away from company premises and would meet company management only to resolve disputes or negotiate wages and conditions. The cooperative attitudes prevalent in Japan explain its very low number of days lost per year due to strikes. The "true" rate for Japan is even lower as the token-on-day strikes of the

“spring offensive” are just a traditional gesture and are not “real” strikes.

This operation works both ways — employees are generous with their time. In 1988 the average Japanese worker put in 2,150 hours work per year, the average American worker put in 1,924 hours work per year, while the average French worker put in just 1,643 hours work per year. These figures do not take into account the many extra hours the average Japanese must commute every day! The employers reciprocate with generous salaries. In 1988 Japanese real per capita income was \$18,850 second only to Switzerland.

But, of course people may feel disinclined to work if the national tax structure is such they get little benefit from their efforts. It is sad that in N.Z. the spending excesses of several administrations have led to a very high tax structure to the extent that one sees little benefit from any salary increase. As a high school teacher in N.Z. on a modest income much of my salary was taxed at 33%. There are also wide range of taxes, the most notorious of which is our consumption tax called G.S.T. This is similar to Japan's 3% tax but ours is set at 12.5% on virtually everything — food, drink, clothing and it is also added onto other taxes giving a “double tax” effect. For instance, when I pay my local town council “rates” on my property I pay the 12.5% G.S.T. on top! As so much of ones income disappears in tax few people have incentive to do extra work. For many years has been common for company employees to refuse to do extra hours of work requested by their employers (= overtime) because the high tax rates made overtime unrewarding. A quite extraordinary situation is a country trying to expand economically.

The last factor I would like to examine is my own area — education. Japan shows, along with some other Asian nations, a high regard for the value of education. Japan has developed this into an extraordinary system for educating youngsters not only in the complexities of their own language but also in maths, science, history. English etc. This may be the most intensive education system in the world and it is arguably the best. Japan has the most literate, numerate work force in the world.

What a bonus this is for an employer! With all the basic skills thoroughly learned all that remains is to give specific job-orientated training. What a contrast to some other systems! I well remember a close friend of the family and owner of five department stores complaining to me that many of his office girls could not file correctly due to their poor knowledge of the alphabet!

In summary then, I believe that several of the human factors mentioned above have had a great influence on Japan's economic success and I believe that they will continue to do so in the future.