

Index

- Acht, J.V. 71
agriculture 125–6
America *see* United States
American model 201
anti-hollowing out 93
Aoki, M. 65, 66, 67
Aoyama, K. 94, 96, 98
Arrighi, M. 191
Arty, V. 153
assemblers 66, 75–6, 100–101, 206
asset bubble 51–3, 117–19
automation 207
automobile industry 76, 85
 globalization 98–9
 keiretsu networks 66
 labour productivity differentials 206
 lean production 202
 modulization 99–100
 non-*keiretsu* 116
 relocation to US and Europe 96
 subcontracting changes 98–9
 technology exports 159
 transactional hierarchy 66
- baby boomers retirement 169
bad hollowing out 82–3, 94
bad loans 118–19, 134
Bailey, D. 68, 103, 141, 145
balance sheet channel 40, 42–3, 56
bank-based finance 112, 113–15,
 116–17
bank lending channel 40–41, 42
Bank of Japan 31, 40, 50–55, 113
 window guidance 51–3
Bank of Japan Law 50, 55
banking *keiretsu* 68
banking sector mergers 128
bankruptcies 37, 71
Beamish, P.W. 72
Bernanke, B.S. 40, 41, 42
‘Big Six’ horizontal *keiretsu* 142
biotech-related technologies 170–72
biotechnology 163, 170–72
 R&D boundaries of the firm 172–5
boards of directors 18–19
bond market 113, 114, 117
bonuses 21, 26
Branstetter, L. 163
Branston, J.R. 143
Bretton Woods compromise 108
Britain *see* United Kingdom
bubble period 51–3, 117–19
Burkett, P. 190–91, 192
business system 157–8, 166–70
 and start-up activities 168–70
- capital markets, repression of 114–15
car industry *see* automobile industry
cartels and growth correlation 36, 37
castle towns 101
catch-up period 111–12, 187–8
 innovation development 158–9
 postal savings system, role of 119–20
central banks 55
 see also Bank of Japan
chemical industry development 114–15
China 70, 93–4
‘China fear’ 93, 94
Chung, W.K. 180
clusters 145, 147, 148–9, 150
Coffey, D. 207, 208
Cold War 107, 191
Commerce Law 141–2
commercial banks 42, 46
community webs 147
competition 15, 94, 212
competitive ideal 9–10, 26–7
competitiveness concept literature 199,
 203–5
Confucian values 182
construction firms 125
cooperative supplier groups 96, 99
Corning Glass Works 160–61
corporate buyouts 127

- corporate Japan literature 181
- corporate sector *see* giant corporations; transnational corporations
- corporate strategies 141, 143
- corporate takeovers 129
- Cowling, K. 64, 140–41, 146
- creative destruction 42, 54, 55, 192
- credit controls 51–3
- credit creation 46–7, 48, 50, 51
- credit crunch 134
- credit economy 45–6
- credit rationing approach 41–2, 47
- credit theory 56–7
- credit view approach 40–43, 47
- cronyism 187, 189
- cross-licensing 160, 161
- cross-shareholdings 112, 120–22, 141–2
- cultural analyses literature 182–3
- cultural norms and values 12–13, 14, 20, 24, 182–3
- Czinkota, M. 141

- de-industrialization 134, 135, 136–7
see also hollowing out of industry
- De Propriis, L. 148
- deductive methodology 45, 46, 49, 55–6
- deflation 37
- Denison, E.F. 180
- deregulation 140, 142, 145
- dirigiste post-war policy 110–20
 - asset bubble and aftermath 117–19
 - bank-based finance 113–15, 116–17
 - capital markets, repression 114
 - internal funds 115–16
 - postal savings system, role of 119–20
- distribution system 22–4, 142
- divide and rule tactics 63, 66, 76
- domestic productivity growth 199–200
- Dore, R. 182, 183, 193
- Driffield, N. 148
- Drysdale, P. 137
- dual labour market 190–91
- dualism between OF and ID sectors 142, 143
- Dutch disease 138

- East Asia, trade with 86–7
- economic growth
 - cultural explanation 182–3
 - and financial sector link 43–7
 - government role in 24–5
- economic growth literature 181–2, 187
- economic integration 107, 108
- economic theory 55–6
Economist, The 120
- efficiency 27–8
- electronics industry 99, 135
non-keiretsu 116–17
- empirical methodology 45, 56
- employment conditions 19–20, 27–8, 76, 186, 190–91
- enterprise groups 16, 18
see also keiretsu
- equation of exchange 43, 44
- equity culture 128–9
- equity holdings in *keiretsu* 66
- executives' salaries 21
- exploitation of labour 187, 190–91
- exports 63, 86–7, 159

- farm sector 125–6
- FDI *see* foreign direct investment
- financial openness 87–8
- fiscal policy 48
- Fisher, I. 44
- flying-geese catch-up strategy 111
- Ford 99
- foreign direct investment (FDI) 68, 69
 - inward 88, 89, 110, 126–7, 128–9, 148–9
 - outflow-inflow ratio 70–71, 126–7
 - outward 86–8, 89–90, 94, 124, 135, 142
 - trends 89
- foreign-ownership of major corporations 121–2
- foreign shareholders 122
- foreign technology importation 68
- Freeman, C. 202
- Friedman, M. 43, 55
- 'friendly and patient' capital 121
- Fukao, K. 137, 138
- Fukao, M. 56
- Fukui, Toshihiko 31, 51, 53–4, 55
- Fukuoka Silicon Sea-belt Project 146
- Fukushima, H. 136, 146

- Gallini, N.T. 160
 Genay, H. 114
 Gerschenkron, A. 110
 Gertler, M. 40, 41, 42
 Ghosn, C. 98, 99
 giant corporations 62–3, 65–7, 68–9
 see also transnational corporations
 Gilchrist, S. 40, 42
 Gilpin, R. 211
 global capitalism 107, 109
 global outsourcing 64, 71, 73, 77
 globalization 82, 86–8
 ‘China fear’ 93–4
 effects on small firms 71
 foreign direct investment (FDI)
 86–90
 Japanese industry, import
 penetration and labour
 productivity 84
 Japanese production 88, 91–3
 political trilemma model 107–10
 and subcontractor system 85–6,
 98–100
 Golden Straitjacket 107–9
 good hollowing out 82–3, 94, 97
 government-university-business
 collaboration triple helix 147
 gross domestic product growth 32–3
- H-mode 65
 Hagedoorn, J. 173
 Handa, J. 44
 Hart-Landsberg, M. 190–91, 192
 Harvey, C. 135
 Hayashi, F. 56
 heavy industry development 114–15
 Hesei boom 73
 hierarchical mode 65
 Higa, T. 28
 hollowing out of industry 70–3, 102,
 134–8
 effects on subcontractor system 96–8
 government failure approach
 138–40
 strategic failure perspective 140–43
 Honda 116
 horizontal *keiretsu* 16–17
 horizontal networks of small firms,
 Europe 75
 hostile takeovers 98–9, 129
- Howes, C. 203, 204
 Hutton, W. 185–6, 193, 194
- ID sector *see* inner-dependent (ID)
 sector
 ideal competitive system 15–16, 27
 IMF (International Monetary Fund)
 42, 54
 import penetration 83–5, 88
 imports by region 86–7
 incentive systems 66–7
 income and wealth inequalities 74
 inductive methodology 45, 49, 51, 55,
 56
 Industrial Cluster Project 147
 industrial dualism 139
 industrial hollowing out 70–73, 102,
 134–8
 effects on subcontractor system 96–8
 government failure approach 138–40
 strategic failure perspective 140–43
 industrial policy 68–70
 alternative framework 144–51
 industrial regions 72
 industrial research and development
 161–2
 industrial stagnation 70–73
 industrial strategies 141
 industrial structure 16–19
 inefficiencies 27–8
 infant industry protection 68, 111
 information technologies 162
 inner-dependent (ID) sector 112, 123,
 139–40, 142, 143, 144
 pork-barrel sector 124–6
 innovation system 157–8
 broad applicability 170–72
 and business system 166
 post-World War II 158–61
 relationship with other systems 157
 science-based 161–5, 170–72
 institutional arrangements
 distribution system 22–4
 government participation 24–5
 industrial structure 16–19
 labour market 19–22
 institutional matrix 109–10
 institutional sclerosis 106
 integration-cum-nation-state axis 108,
 109, 110

- intellectual property rights (IPRs)
160–61
- inter-area networks 146–7
- interest rate policy failure 39–40
credit view approach 40–43
economic growth-financial sector
link 43–9
- internal funds 115–16
- internal growth 62, 75
- international capital markets 117
- international competitiveness 198–9,
200, 201, 202
- International Monetary Fund (IMF)
42, 54
- International Motor Vehicle
Programme (IMVP) 206–7
- internationalization strategy 69
- interventionist industrial policy 68
- investment funds, Japan Post as major
source 119–20
- inward foreign direct investment (FDI)
88, 89, 110, 126–7, 128–9, 148–9
see also foreign direct investment;
outward foreign direct
investment
- Italy 151
- Itami, H. 85, 103
- Ito, M. 71, 145, 149, 153
- Ito, T. 137, 142
- J-mode 65–7
- James, B.G. 76
- Japan Post (postal savings system)
119–20, 126
- Japan Telecom Holdings 127
- Japanese corporation (J-mode) 65–7
- Japanese disease 106, 124, 138–9
- job rotation within firms 19, 25, 166
- Johnson, C. 68, 139
- Jorgenson, D.W. 35
- just-in-time delivery 85
- Kaldor, N. 204
- Kanagawa 72
- Kashyap, A.K. 40, 42
- Katz, R. 140, 188
- keiretsu* 16–18, 65–6, 68, 120–22
‘Big Six’ 142
control by giant corporations 66
equity holdings 66
globalization, effects of 71–2
hierarchical mode 66
new (overseas) 69–70
- keiretsu* banks 113
- Kester, C.W. 117
- Kitagawa, F. 136, 146, 149, 150
- Kitakamigawa 148
- Kiyotaki, N. 42
- Knowledge Cluster Initiative 147
- Kobayashi, H. 70, 86
- Koito Manufacturing 103
- Koizumi, Prime Minister 126
- Koo, A.Y.C. 63
- Kotani, H. 136
- Krugman, P. 40, 42, 187–8, 198, 199
- kūdōka see* hollowing out
- labour productivity 83–4
- labour relations 187, 190–91
- labour system 18, 19–22, 166, 167
- labour unions 21
- land prices 56, 118
- land reform 125
- Lazonick, W. 183–5
- lean production 201, 202, 206, 209,
211–12
- legal system 157
- Legewie, J. 135, 153
- lending channel 40–41, 42
- ‘level up’ industries 83–4
- leverage buyouts (LBOs) 127
- Liberal Democratic Party (LDP) 120,
124–5, 129
- liberalization 107, 141–2
- lifetime employment 19, 166, 167, 190
- Lipsey, R.E. 70
- liquidity trap 40
- loan growth quotas 51, 52, 53
- ‘local content’ requirements 96
- local unions, constitutions 22
- Long-Term Credit Bank of Japan 127
- long-term employment *see* lifetime
employment
- long-term interest rates 40
- loyalty 15, 19
- Lupardus, K. 28
- Luria, D. 208, 209
- managed trade, benefits of 202–3
- managerial capitalism 184

- manufacturing sector
 de-industrialization *see* industrial hollowing out
 employment figures 71, 134
 operating rate 37, 38
 shift overseas 135–6
 market-coordinated capitalism 184
 market liberalization 107, 141–2
 Martin, R. 150
 Martin, S. 63
 Maruyama, M. 142
 mass/local politics policy choice 107, 108
 mass-production system 201
 material consumption 12, 20
 matrix of institutions 109–10
 Matsushita Electric Industries 116–17
 Matsuura, K. 145
 Mazda 98, 99
 Meltzer, A.H. 41
 mergers and acquisitions (M&As) 127–8
 Mieno, Yasushi 51, 53–4
 Ministry of Economy, Trade and Industry (METI) 140, 147
 Ministry of Education, Sports, Science and Technology (MEXT) 147
 Ministry of Finance 55, 117, 139
 Ministry of International Trade and Industry (MITI) 68–9, 139, 140, 141, 142, 144–5
 modulization 99–100, 101
 monetary policy of central banks 55
 monopoly capitalism 62–4
 Moore, J. 42
 moral hazard 112, 114, 118
 Morgan, A. 148
 Motohashi, K. 35
 Mowery, D.C. 160
 multi-locality production processes 146
 multiple sourcing 75–6
 Murakami, Mr 31

 Nakane, C. 14
 Narin, F. 161
 nation-state-cum-mass-politics axis 108, 109–10
 nation state policy choice 107, 108
 national competitiveness 198

 national innovation system 157–8
 broad applicability 170–72
 and business system 166
 post-World War II 158–61
 relationship with other systems 157
 science-based 161–5, 170–72
 national unions 21–2
 negative de-industrialization 137
 negative freedom 142, 144–5, 153
 negative shocks affecting economy 73
 Nelson, R.R. 164
 neoclassical efficiency argument 36
 neoclassical growth theory 35
 neoclassical trade theory 35
 new industrial policy 144–51
 new (overseas) *keiretsu* 69–70
 New Regionalism (NR) perspective 149–50
 Newcomb, S. 44
Nikkei Weekly 72
 Nippon Broadcasting System (NBS) 129
 Nissan 76, 98–9
 Noguchi, Y. 118
 nominal GDP growth 32–3
 nominal short-term interest rates 40
 non-blank bank loans 118
 non-group stockholders 19
 non-hierarchical modes of production 65, 66, 75
 non-*keiretsu* firms 116–17
 nontradable sector 122
 North, D.C. 109

 obligations 12, 13, 19, 24
 OF sector *see* outer-focused (OF) sector
 official discount rate (ODR) 31, 40
 offshore affiliates 72
 Ogawa, K. 56
 Ohkawa, K. 181, 194
 Okazaki, T. 120
 ‘one-set’ principle 114
 open competition (open kompe) in subcontracting 100, 101
 Osaka 72
 Ota cluster, Tokyo 135–6, 146
 outer-focused (OF) sector 112, 123–4, 139–40, 142, 143

- outsourcing 95–6
 - R&D-related services 174
 - see also* subcontractor system
- outward foreign direct investment (FDI) 86–8, 89–90, 94, 124, 135, 142
 - see also* foreign direct investment; inward foreign direct investment
- overseas bond market 117
- overseas expansion 69, 71, 77, 88–93
- overseas production ratio 69, 76, 88
- overseas relocation 96, 135–6
- overseas subsidiaries 91–2
- overtime hours 27–8
- Ozawa, T. 72, 138, 139, 140, 143

- patent and trademark registrations 38, 39
- patent protection 159, 160–61
- Patrick, H. 114, 117, 180
- perfectly competitive ideal 9–10, 26–7
- pharmaceutical industry 127–8, 173
- Piore, M. 68, 141
- political trilemma model 107–10
- pork-barrel sector 112, 124–5
- Porter, M. 150, 188, 189, 211, 212
- Posen, A.S. 54, 55
- positive de-industrialization 137
- positive freedom 153
- post-war economic growth literature 179–81
- postal savings system (Japan Post) 119–20
- Prescott, E.C. 56
- price-cost margins 63
- private distribution systems 23
- production abroad 88, 91–3
- productivity growth 199–200
- profit maximization 13
- progressive capitalism, Japan as model 179–86
 - change of view 186–9
- proprietary capitalism 184
- protectionism 122–6

- ‘quantitative easing’ policy 50
- quantity equation 43
- quantity theory 43

- radical literature 190–91
- rank hierarchy system 66–7
- rationed markets 53
- Reaganism 107, 183
- real estate lending 51, 118
- real GDP growth 32–3
- real interest rates 40
- recession 39–42, 49, 50–54
- Regional Cluster Plan 147
- regional development banks 151
- regional industrial development 149–51
- reimports 71, 77, 92–3
- relocation overseas 96, 135–6
- research alliances 173
- research and development (R&D) 72–3, 159–60
 - biotechnology, boundaries of the firm 172–5
 - industry funding 159–60
 - shift overseas 136
- research and development-related services, outsourcing 174
- research methodologies 55–6
- retail establishments 22–3
- retirement of baby boomers 169
- Ries, P. 99
- Rifkin, J. 201
- Ripplewood Holdings 127
- Rodrik, D. 107–8
- Rose, A. 137
- Rosenberg, N. 160
- Rosovsky, H. 180, 181, 194
- Rover Task Force 145
- Rowley, I. 93
- Rowthorn, B. 136, 137
- Ruigrok, W. 66, 76, 141

- Sabel, C. 68, 141
- Saitama 72
- Sakakibara, M. 188
- salaries 20, 21
- Schumpeter, J.A. 114
- science-based innovation 161–5
 - and changing boundary of industries 170–72
 - start-ups 165
 - university-industry collaboration 163–5
- science linkage 161–2

- self-interest 12, 13, 20
 services sector 136–8
 shareholder activism 122
 shareholder capitalism 129
 Sheard, P. 76
 Shinsei Bank 127
 Shoko Research Institute (SRI) 83
 Singh, A. 203, 204
 small firms 18, 94, 125, 145
 bankruptcies 136
 globalization, effects of 71
 in *keiretsu* partnerships 66
 moving overseas 135, 153
 as suppliers 95–7
 webs 146
 social corporatism 77
 social status 14, 15, 20–21
 Soete, L. 202
 speculation 118
 stable shareholder allies 142
 stake-holding economy 186
 start-ups 165, 168–70
 Stein, J.C. 40
 Stein, L. 153
 Stevens, G.V.G. 70
 Stiglitz, J.E. 54
 stock market 114, 129
 strategic decision making 64, 65–6,
 141, 143
 strategic failure 64, 140–43
 structural gap between OF and ID
 sectors 139–40
 structural reform 34–9, 51, 54, 55
 subcontractor bullying 96
 subcontractor system 65, 85–6
 exploitation of labour 190–91
 globalization, effects of 85–6,
 98–100
 hollowing out 96–8
 new structure 100–101
 open competition 100, 101
 origins and logic 94–6
 qualitative changes 98–100
 quantitative changes 96–8
 trends 97–8
 Sugden, R. 64, 140, 146
 Sumitomo Electric Industries (SEI)
 160–61
 Sunley, P. 150
 superexploitation of labour 187
 suppliers 95–6, 101
 see also subcontractor system
 Suwa/Okaya machine manufacturing
 cluster, Nagano 145
 Suzuki, S. 149
 Sweden 77
 Taira, K. 139
 Takeuchi, H. 188
 Tashiro, H. 93
 Tate, J.J. 76
 technology exports 159
 technology importation 159
 temporary employees 19
 Thatcher-Reaganism 107
 Thatcherism 183
 Thornley, C. 207, 208
 Thurow, L.C. 200
 Tokyo 72
 total factor productivity growth 35,
 137–8
 Toyota 76, 101, 116, 201
 Toyota Production System 85, 94
 tradable sector 122–3
 transnational corporations 62, 64, 68,
 143
 control of policy 141, 142
 control over *keiretsu* partners 66
 control over suppliers 141
 dominance of 61–4, 69–70
 overseas networks 69–70
 transnational monopoly capitalism
 62–4
 triple helix of government-university-
 business collaboration 147
 trust 65, 183, 186
 trust-based capitalist economy 183,
 186
 Tsuru, S. 115–16
 Tyson, L. 199
 unemployment 37, 72, 74, 85, 135, 137
 unions 21–2
 United Kingdom
 de-industrialization 138
 market-coordinated capitalism 184
 neo-liberalism 183
 ‘new labour’ movement 185
 Rover Task Force 145
 Thatcherism 183

- United States 107
 boards of directors 18–19
 competitiveness literature 203–5
 cultural norms and values 12–13, 21, 24
 distribution system 26
 economic environment comparison 25–6
 economy 13, 186
 employment practices in small manufacturing firms, study 208–9
 enterprise groups 25
 executives' salaries and compensation 21
 financial markets 41
 managerial capitalism 184
 mass production 201, 202
 neo-liberalism 183
 patent protection 160–61
 private equity funds 127
 Reaganism 107, 183
 research and development (R&D) funding 159–60
 science-based innovation 162–3
 self-interest 12, 13, 20
 universities-industry link 163
 'vulture' capitalism 184
 women workers 25–6
 university-industry collaboration 163–5
 university system 157
- Van Tulder, R. 66, 141
 velocity decline 43, 44
 vertical enterprise groups 17
 vertical *keiretsu* 65–6, 95, 135–6, 141, 145
 vertical specialization 87
 vision of Western capitalism 9–10, 25–9
- wages 20, 21
Wall Street Journal 128
 Washington Consensus 107–9
 webs of small firms 146, 147
 Weinstein, D.E. 117
 Wells, J.R. 136, 137
 Werner, R.A. 41, 43, 44
 Western capitalist vision 9–10, 25–9
 Whittaker, D.H. 73
 window guidance credit controls 51–3, 55
 window watchers 20
 Womack, J. 75, 206
 women workers 20–21, 25–6
 work hours 19–20, 27–8
 World Bank 54
 Woronoff, J. 141
- Yafeh, Y. 117
 Yamaichi Securities 127
 Yen appreciation 87, 123–4, 138–9, 140, 144