

and Japanese authors, plus a preface and an introduction. The coverage is wide and the analytical methodology, eclectic. Part One lays out the so-called "Japanese Model" of economic organization. Part Two treats Japanese macroeconomic performance, defined broadly to include distributive aspects. Part Three covers large and small firms, industrial relations, and technology management. Much of conventional Western wisdom about Japanese government-business relations is shown to be false in Part Four. Comparing this volume to *Asia's New Giant*, one gets a nice picture of how the study of the Japanese economy has evolved over the last fifteen years.

The most noticeable difference is the prominence of noneconomists in the *Yamamura and Yasuba* volume. Of the twentyone authors and editors, four are non-economists, and many of the American economists have appointments in non-economics departments such as international relations and business schools. American mainstream economics has undergone a considerable transformation over the last decade, with a much greater emphasis on technical expertise, and one result of this change is the exile from economics departments of historians and area specialists. At the same time, Japanologists in the fields of anthropology, sociology, history and political science realized that research on the most dynamic market system in the world was being neglected and started from the late 1970s to systematically examine the Japanese economy. Such research was often called "political economics," and a stellar example is Chalmers Johnson's *MITI and the Japanese Miracle*. Today the study of the Japanese political economy is booming. Graduate students from history and political science departments annually travel to Tokyo to find the next "hot" topic, preferably a story of how MITI, MOF, or the LDP is teaming up with Japanese big business to frustrate the Americans. U. S. business and international relations schools are very interested in these subjects and hire the new Ph. D. s with high salaries and promises of rapid promotion. Meanwhile, pity the poor economics Ph. D. who toils for years learning the Japanese institutions, building a mathematical model, patiently collecting the data and analyzing the results. Chances are very slim that he or she will get any academic job, let alone a high paying one¹⁾.

Hence, it is with some skepticism that I, an economist, picked up the *Yamamura and Yasuba* volume. My concern was unwarranted. As

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『日本の政治経済学』

—第1巻 国内の変化—

Kozo Yamamura and Yasukichi Yasuba, eds., *The Political Economy of Japan, Volume 1: The Domestic Transformation*, Stanford University Press, 1987, xxvi + 666 pp.

The long awaited sequel to the decade and a half old *Asia's New Giant* has arrived. The first of three in the series, this volume examines Japan's domestic economy. It is a collection of thirteen essays by well-known American Japan specialists

with Hugh Patrick and Henry Rosovsky, the editors of *Asia's New Giant*, Yamamura and Yasuba have done a masterful job in their choice of topics and authors. On the whole, the book is a very balanced survey of important aspects of the Japanese economy, with primary emphasis on the post-1974 oil shock period²). Statements are backed with facts and statistics, assertions tend to be qualified. For example, in their chapter on Industrial Policy, George Eads and Kozo Yamamura are careful to stick to the middle ground. The "neoclassical" view that industrial policy does not matter in raising the rate of Japanese economic growth has been espoused by many Western economists. Japanese observers and Western political scientists, on the other hand, see MITI as playing an essential role in shaping the Japanese post-war economy by providing tax-breaks and subsidies to leading firms, coordinating investment and Research and Development activities in future exportable industries. Eads and Yasuba argue that both views are partly correct; while it is true that as a proportion of the government budget, the subsidies and tax breaks were insignificant, MITI's adjustment of subsidies and other fiscal tools were on the margin no doubt important in coordinating the investment decisions of the large Japanese oligopolistic firms, preventing a socially excessive level of capital formation.

Some chapters are true gems. Masahiko Aoki's paper is perhaps the most comprehensive and rigorous twenty-five pages ever written about the Japanese company. The gist of his chapter is that the so-called Japanese management style, characterized by long-term employment, company unions, and *nenko* wages, can be justified by modern contract theory, instead of relying on sociological and cultural explanations. In his piece, Kazuo Koike presents his trademark hypothesis that unlike their European counterparts, Japanese blue-collar employees in large firms have sharp upward sloping age-earnings profiles because of the worker's growing firm-specific human capital. Writing in the English language may have liberated Yutaka Kosai so that he could express his honest opinions on how Japanese economic policy is made. For a former high level Japanese government official, Kosai, in his chapter, is quite candid to admit that Japanese bureaucrats do not lead the Japanese economy, but change their attitudes opportunistically in accordance with the subtle shifts in public opinion.

Koichi Hamada and Akiyoshi Horiuchi argue

that the main driving forces behind Japan's financial market liberalization since the mid-1970s were the high government deficits, inflation, and the decreased corporate reliance on bank borrowing. This interpretation is in contrast to prevailing American views that if it were not for U. S. political pressure, the Japanese Ministry of Finance would still be strictly regulating the financial markets. Hugh Patrick and Thomas Rohlen have a fascinating piece on the small family enterprise, an often neglected aspect of the Japanese economy. Contrary to received wisdom, the bulk of Japan's GNP is not produced by large companies. Small enterprises produce close to fifty percent of the GNP originating in the private sector and account for over 65 percent of private sector employment. Patrick and Rohlen's chapter is filled with numerous facts and statistics. The reader is bound to be surprised, for example, when he learns that over half of new small businesses in Japan were started by people under the age of thirty. I had thought that most Japanese small firms were initiated by those past the age of mandatory retirement who needed a supplementary source of income.

All of the chapters are at least good, but the editors could have pushed some of the authors a little harder. What he is saying may be profound, but Yasusuke Murakami's metaeconomics chapter on the "Japanese model" is very hard to understand for those of us ignorant of structural anthropology. For example, the distinction that he draws between a *muva*-type organizational pattern and the Japan, Inc. concept is lost on me. Ethnocentric explanations of Japanese economic success, while true in many respects, should be avoided in a volume aimed at a Western generalist audience who often lack even a rudimentary understanding of Japanese society. Kazuo Sato's chapter on Saving and Investment is more of a plug for his "Target Wealth Saving" hypothesis than an exposition of his assigned topic. His treatment is a bit idiosyncratic, because today the two accepted models of saving are the life-cycle and the infinite horizon. In the Industrial Policy chapter mentioned above, Yamamura and Eads are somewhat guilty of haste. A section of their paper that argues the lack of success of European industrial policy is based uncritically on only a few sources. Actually the issue is more controversial; with industrial policy undertaken by Europe-wide consortia, there are some victories such as Airbus.

The above quibbles are, however, minor. Overall the book is outstanding, and already it is a standard reference for scholars of the Japanese economy. I use the book as the basic text for my undergraduate upper-division post-war Japanese economy class. My students tell me that some of the chapters are too detailed; perhaps for the average undergraduate, the book is heavy-sledding. Masahiko Aoki's acclaimed volume on the Japanese firm is much too advanced³⁾. I eagerly await Takatoshi Ito's forthcoming text,

which, I understand, is primarily aimed at the American college student. [Robert Dekle]

- 1) I am reasonably certain that no fresh Japan Specialist has gotten a job in an American economics department with a graduate program since Gary Saxonhouse at Michigan in 1970.
- 2) *Asia's New Giant* comprehensively covered the Japanese Economy in the pre-oil crisis rapid growth period.
- 3) *Information, Incentives, and Bargaining in the Japanese Economy*.

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