

# ICHIRO NAKAYAMA AND THE STABILIZATION OF INDUSTRIAL RELATIONS IN POSTWAR JAPAN

TAMOTSU NISHIZAWA

*Institute of Economic Research, Hitotsubashi University  
Kunitachi, Tokyo 186-8603, Japan  
nisizawa@ier.hit-u.ac.jp*

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## *Abstract*

Ichiro Nakayama had become a most prominent theoretical economist in prewar Japan and he was above all an academic economist. However, he did a great deal for policy making in the postwar Japan, particularly peace and stability of labour-management relations. He was deeply involved in furious labour disputes immediately after the war through the Central Labour Commission. Then he served for the Japan Productivity Centre as its vice-president and became chairman of the Standing Committee for the Labour-Management Consultation System founded in 1956, which made major contributions in the diffusion and institutionalization of 'a productivity-oriented labour-management consultation system' in the enterprises throughout the country. I would like to evaluate Nakayama's crucial role in the stabilization of industrial relations and the institutionalization of Japanese management.

*Key Words:* Ichiro Nakayama, Stabilization of Industrial Relations, Japan Productivity Centre, Labour-Management Consultation System

*JEL classification:* B2, N35

## I. *Introduction*

Ichiro Nakayama (1898-1980) studied at Tokyo University of Commerce (present Hitotsubashi University) under Tokuzo Fukuda, then at Bonn University under Joseph Schumpeter. Nakayama became a most prominent theoretical economist in pre-war Japan by his *Junsui Keizaigaku* [*Pure Economics*] (1933) and *Hattenkatei no Kinkobunseki* [*Equilibrium Analysis of the Developing Process*] (1939). He taught at Hitotsubashi for nearly forty years, including his presidency in 1949-55, and educated numerous future scholars, therefore he was above all an academic economist.

However, Nakayama did a great deal for economic and industrial policy making, particularly peace and stability of labour-management relations in the post-war Japan through the economic advisory councils and various intermediate organizations. When Nakayama died in 1980, the then Prime Minister Ohira stated properly his contributions:

One cannot speak of the recovery and development of our country's post-war economic society without mentioning the Sensei (Professor Nakayama). Most importantly, during the period when the post-war industrial relations were severely shaken, he expended every effort as chairman of the Central Labour Commission (Chuo Rodo Inkai). Through the fair and balanced judgment of the Sensei, many major disputes were skillfully brought under control and guided to resolutions, ... In recent times our country's industrial relations have proceeded in a manner more sound than can be seen in any foreign country. I believe that this is nothing other than the fruition and realization of the Sensei's long years of guidance in bringing the trust between labour and management together as one. [Nakayama (1981; pp.10-11)]

Indeed, no one can discuss Japan's post-war stabilization of industrial relations without noting the Central Labour Commission and the Japan Productivity Centre (Nihon Seisansei Honbu), in particular the latter's Labour-Management Consultation System Committee (Roshi Kyogisei Inkai). Nakayama served as the chairman of both the Commission and the Committee for many years, and played crucial role in the stabilization of industrial relations and the institutionalization of Japanese management. I shall discuss, first Nakayama's involvement in furious labour disputes immediately after the war through the Central Labour Commission; second, his intellectual background, or formation of his ideas of 'economic sociology of industrial relations', then after a brief statement on 'Managerial Councils', I shall argue on Nakayama and Productivity Movement, particularly the institutionalization of Labour-Management Consultation System.

## II. *Nakayama and the Central Labour Commission*

Nakayama started his post-war activities with involvement in Japan's postwar industrial relations through the Central Labour Commission. Under Japan's Labour Union Law, managed to establish only after the war, the Central Labour Commission was created in March 1946 to serve as a body which would include labour, management, and an impartial third party, as wholly equal representatives. Nakayama was named a member of the impartial party (or public representative), along with Izutaro Suehiro, Iwao Ayusawa, and two other people. Since labour issues, from wages to employment, were economic issues, it was natural that one of the impartial party members be an economist.

As a very prominent economist Nakayama had ties to the government through the wartime era (with Marxist economist Hiromi Arisawa of Tokyo University), but an immediate cause of his appointment to the Central Labour Commission was partly due to persuasion by his former pupil, Soichi Togashi, an official at the Labour Administration Bureau of the Welfare Ministry (later the Ministry of Labour; Togashi became its vice-minister). Further, from 1939 through 1949, Nakayama, along with Seiichi Tohata, a lifelong friend since they studied under Schumpeter, assumed the duties of teaching economic policy at Tokyo University's Faculty of Law. This course combined theory with practical policy, and Nakayama used it to expound upon what he regarded as the conditions necessary for his ideas of 'stability and progress'.<sup>1</sup>

<sup>1</sup> Katsumi Yakabe, "Churoi ni okeru Nakayama-jidai" [The Nakayama Era in the Central Labour Commission], in Chuo Rodo Inkai (1981; p.3).

Nakayama's deep involvement with the labour-management relations really began in 1946, an intense year which witnessed the Toshiba Dispute, and it lasted until his resignation from the Labour Commission in 1961. During this fifteen-year period, he served as president of the Commission for ten years from 1950, when he succeeded Suehiro. Nakayama helped to resolve some 90 labour disputes, including Oumi Kenshi Company, and many other major clashes involving militant unions such as *Kokuro* (the National Railway Workers Union), *Zentei* (Postal Workers), *Densan* (Electric Power Workers), and *Tanro* (Coal Miners). For these works, he was once called 'a god of the moment' by Minoru Takita, a leader of *Zensen Domei* (Textile Workers) and later *Sodomei*, the moderate labour federation. Nakayama was also praised by Hajime Maeda of *Nikkeiren* (Japanese Federation of Employers) for his tenacious negotiating style. Maeda stated that 'his knowledge, his sincerity, his ability to bring people together were decisive, and his superb timing was a gift from heaven'. Nakayama was closely involved in industrial relations and industrial disputes from the stormy wartime years through the age of stabilization, making huge contributions to stabilizing labour-management relations, and in so doing to promoting Japan's postwar industrial development in general. A book edited by the Central Labour Commission states; 'Chairman Nakayama, over a period of fifteen years following the war, provided a leadership unsurpassed in the area of labour-management relations for our country, and was the man who brought together an era of epoch in industrial relations'.<sup>2</sup>

The Central Labour Commission was at the centre of most painful era during which the old practices had collapsed and no new ones created yet. Nakayama even compared it to the Paris Commune. In looking back over those fifteen years, he stated the following:

It would be hard to forget my work as a member of the Central Labour Commission for some fifteen years, including the ten as commission chair. I knew militants from the Communist Party, and I also experienced the 2·1 [February 1st] General Strike. A democracy in the abstract the outlines were easy to understand, but being able to do them in realistic form was an experience difficult to gain for a person through study on the desk. ... What was hard being caught between unions with their many powers and managers with the power of capital behind them, while having not a bit of power oneself so being charged with resolving problems with knowledge alone. ... Stated in an exaggerated way it was the sense of powerlessness of scholarly learning. However, there was nothing better than learning for springing back from this sense of powerlessness and opening new paths of resolution. [Nakayama (1979; pp.22-3)]

Nakayama and Suehiro were emblematic of the Central Labour Commission's role in the transition from stormy era to the era of order. Labour law scholar Suehiro played a major role in systematizing the Central Labour Commission in its early years in the midst of numerous industrial disputes, laying the foundations for labour and management to resolve problems by using the commission's rules, and establishing a system to which both sides would willingly

<sup>2</sup> Minoru Takita, "Sekiryotaru Omoi—Nakayama Sensei wo Ushinatte" [Lonely thoughts: losing Prof. Nakayama], *Chuo Rodo Iinkai* (1981; p.51). "Zadankai—Nakayama Ichiro Shi wo Kataru" [Roundtable discussion: Speaking of Ichiro Nakayama], *ibid*, p.84. See also page 5 of the same publication. "Geppo Zadankai III. Sengo Nihon no Roshi Kankei" [Monthly Roundtable III, Postwar Japan's Labour-Management Relations], *Zenshu [Works]*, Supplement, pp.82-3.

submit. Nakayama, the economist, first appeared in the spotlight during the *Densan* (electric power industry workers) dispute. When the Commission became involved in wage disputes, which were essentially economic issues, it was Nakayama who played the leading role. He pioneered, and insisted on using, the CPS (consumer price surveys) and CPI (consumer price index) in the Commission dealings. At the start of arbitration, Nakayama's attitude was pro-labour, and leaned toward getting a favorable resolution for the workers. At that time, the *Densan* workers' wages were double the usual wages level and the wages determination standards were clear (based not only on the cost of living but on capability as basic wages). The so-called *Densan*-type wages system emerged from Nakayama's mediation. It was the Central Labour Commission which had come to determine Japan's wages system, and it was Nakayama who led the Commission. The nine-month long *Densan* strike and the 63-day coal miners' strike were major conflicts which impacted on Japan's energy supply, so determining the workers' wages and stabilizing the labour-management relations in those industries amounted to 'major labour policies regarding Japanese capitalism'.<sup>3</sup>

In the preface to Volume 13 of his *Zenshu* [*Works*] entitled "Keieisha·Rodosha no Shinjidai [A New Era of Managers and Workers]", Nakayama noted that J.M. Keynes himself evinced no direct concern for labour problems, but 'the policy-related nature of that sort of economics, through the issues of employment and wages, naturally comes close to the heart of the labour question'. He stated that the transition from economics to sociology which would include labour issues left few individual scholars quite surprised, and that as a result of research on the labour movement in particular, one would graduate from pure economics to the realm of social dynamics studies. At the same time that he served on the Central Labour Commission, Nakayama served also as chairman of the Central Advisory Council on Wages, preparing a proposal that became the basis for establishing the minimum wages law. In addition, he served as vice-president of the Japan Productivity Center, chairman of its Standing Committee for the Labour-Management Consultation System, and as a representative for Japan at the International Labour Organization. After resigning from the Central Labour Commission he was named president of the Japan Labour Association (Nihon Rodo Kyokai). In the course of these public activities, he wrote numerous works on industrial relations and human relations such as *Atarashii Keieisha, Atarashii Rodosha* [*New Managers, New Workers*] (1958); *Roshi Kyogisei* [*The Labour-Management Consultation System*] (1958); *Nihon no Kogyoka to Roshikankei* [*Japan's Industrialization and Labour-Management Relations*] (1960); and *Roshikankei no Keizaishakaigaku* [*The Economic Sociology of Labour-Management Relations*] (1974). Nakayama wrote, 'Speaking of public activities in the way of activities, I was rather inclined to be engaged in scholarship,' and during the course his pure economics naturally evolved to become 'a sociology and humanics in broad sense'. [*Zenshu* [*Works*], Vol.13; pp.iv-v; Nakayama (1979; pp.23-4)]

### III. *Nakayama and Labour Problems: Intellectual Background*

'My economics started with teacher Tokuzo Fukuda. ... If I had not listened to the

<sup>3</sup> "Zadankai—Nakayama Ichiro Shi wo Kataru," pp.84-96. "Geppo Zadankai III. Sengo Nihon no Roshi Kankei," pp.82-87.

lectures of teacher Fukuda, with no mistake, I would not have become an economist.' Nakayama's involvement with labour problems probably began with Tokuzo Fukuda (1874-1930). He warmly praised Fukuda's maiden work of pioneering achievement, *Rodokeizaigaku* [*Labour Economics*] (1899), which was coauthored with his teacher Lujo Brentano, in a memorial lecture, "Koseikeizaigaku to Fukuda Tokuzo" [Welfare Economics and Tokuzo Fukuda], delivered on the 100th anniversary of Fukuda's birth. Brentano had researched British labour problems and compared it to the German case. He argued that in order to achieve Britain's level of prosperity and pursue the optimal course of economic development, Germany needed to raise wages, shorten working hours, and raise labour productivity. Upon reading this, Nakayama stated that Japan still faced the problems of one hundred years before, namely whether Japanese economy would surely be able to stand on high wages and shortened working hours. [Nakayama (1979; pp.78-8)]

Just as the great economists like Alfred Marshall and A.C. Pigou, Fukuda made actual labour issues the background for his welfare economic thinking from the beginning. And though Fukuda got a lot of impact from Marshall and Pigou's welfare economics, in "Kakaku-toso yori Kosei-toso e" [From Price Struggles to Welfare Struggles] (1921), he even criticized Marshall and Pigou: 'We conduct research on prices not for its own sake, but in order to know their relationship to economic welfare, so by studying this field we hope to advance research on welfare.' [Fukuda (1921; p.189)] Studying prices in market economy was a step to advance to the studies on welfare, such as human happiness and satisfaction. According to Fukuda, Pigou neglected the issues of whether working hours were judicious and of whether income distribution, and particularly labour's share, was equitable. It was in order to supplement this share that labour disputes or labour movement as welfare struggles occurred. Fukuda believed that labour struggles played the vital role of enabling labour to receive a legitimate share as original income and to ensure proper working hours. This argument appeared in *Rodokeizaigaku*, the work which launched Fukuda's welfare economic thinking and social policy making.

Nakayama was born in 1898 in Mie Prefecture. After attending Kobe Higher Commercial School, he entered the newly opened Tokyo University of Commerce in 1920, located in the place called Hitotsubashi in central Tokyo. He then went to study at Bonn University in Germany under Joseph Schumpeter in 1927-29, where he met his lifelong friend Seiichi Tohata of Tokyo University. Schumpeter had already finished his trilogy work, and was lecturing economic sociology which was to serve as the draft for later *Capitalism, Socialism, and Democracy* (1949). Nakayama found the base for his life's work both in Schumpeter, who made the general equilibrium theory of Léon Walras into 'German without mathematics' and parted ways with 'Papa Marx,' and in Fukuda who insisted on the importance of welfare economics. Nakayama counted Schumpeter's *Theory of Economic Development* (1912) as his lifelong 'classics'. He translated it with Tohata as early as 1937. They also jointly translated Schumpeter's *History of Economic Analysis* in 1950 and *Capitalism, Socialism and Democracy* in 1951-52.

Schumpeter had been influential in Japanese economic thinking since the prewar period; in fact, he was offered a professorship from Tokyo University in 1924, and he visited Japan in 1931. The impact of his ideas of innovation and entrepreneur was enhanced by the translation of his major works into Japanese. And it is said, the publication of the *Keizaihakusho 1956* [*White Paper on Economy 1956*] further enhanced Schumpeter's impact, which turned his

ideas into practical strategy to modernize Japan's economic structure by means of making economic resources, including human capital, to interact with each other in order to promote productivity. The expressions of the *Keizaihakusho 1956* 'it is no longer the post-war era' and 'innovation' became catchwords and were widely used to symbolize the beginning of a new era in the post-war Japanese economy. In many ways the *Keizaihakusho 1956* reflected significant step in the ideological evolution of Japanese developmentalism in the 1950s. The policy agenda there was based on the belief that the international competition for power among nation-states would shift from military confrontation to a 'peaceful race' — 'a competition for the economic growth rate and the promotion of productivity'. This was 'a decisive shift in Japanese economic ideology toward the trade version of developmentalism'. [Gao (1997; pp.206-12)]

Some notes on Nakayama's prewar activities might be useful here. By the strong recommendation of Fukuda, Nakayama was posted to Home Office's Social Bureau (Naimusho Shakaikyoku) in 1930, immediately upon his return from study in Germany. There he developed and conducted surveys on unemployment. Fukuda, Suehiro, and Ginjiro Fujiwara, at that time made up the Consultative Council of the Social Bureau, and they used it to assist survey research on wages, employment, labour unions, and the highly conspicuous unemployment problem. Fukuda had become a councilor to the Home Office in 1923. He and (Hiroshi Ikeda, Toru Nagai, Toyohiko Kagawa), had exerted themselves to produce a proposal for establishing facilities for labour exchange (the Nationalized Labour Exchange). Fukuda discerned the underlying basis of the unemployment problem and used the Consultative Council to emphasize the need for survey research. The work based on this proposal, from first draft to final collection of data, was undertaken by Nakayama at Fukuda's behest. Nakayama believed that the experience he gained in conducting the survey was 'extremely valuable', after until then having 'only meditated at my desk'; it was 'absolutely because of it that I later came to have a multifaceted understanding of surveys and empirical evidence.' [Fukuda (1924; p.2); Nakayama, *Zenshu*, Vol.13; pp.ii-iii]

After Fukuda's death, Nakayama undertook lectures on economic theory in tandem with Kinno Otsuka's Marxist economics. Then Nakayama published *Junsui Keizaigaku* in 1933. At the same time he wrote many pieces on unemployment and unemployment statistics, and put forth a conception of economic sociology. It was "Keizairiron to Keizaishakaigaku" [Economic Theory and Economic Sociology] which Nakayama wrote in the collected eulogies to Fukuda. In "Keiki Kenkyu ni okeru Keizaigaku to Tokeigaku to no Kosho" [Exchange Between Economics and Statistics in the Business Cycle Studies] [*Tokei Jiho* (1932)], Nakayama stated that it was 'the whole of an economic sociology of immense meaning which includes economic theory, and here is nothing other than a very demand for the economics of the present age, that is an age of transition'; and he proposed for 'a program of realistic economics.' [Nakayama (1933; 1932; pp.353-55)]

#### IV. 'New Managers' and Managerial Councils

A silent characteristic of management in postwar Japan has been described as employee's sovereignty (Jugyoin Shuken), instead of stockholders' sovereignty, which means that companies belong to employers and workers rather than stockholders, and that the providers of

human resources, not the capitalists or financiers, have the sovereignty. [Itami (1993; pp.50-2)]

In the course of postwar economic reform, the top managements of leading companies were totally reshuffled. More than 2000 of Japan's foremost business leaders were purged, and were largely replaced by 'new managers'. The purge brought new and fresh opportunities for the young generation of corporate managers. The managerial elites in postwar Japan had a very high level of educational background. Around 90 per cent of the business executives of the 1960s were graduates of universities and colleges. These young executives were the first generation to have studied seriously economics and management in the 1920s, just as Nakayama did.

Keizai Doyukai (Japan Committee of Economic Development) was founded in 1946 as a fellow union of 'progressive businessmen', under the presidency of Kan-ichi Moroi, who also presided over *Nikkeiren* (Japanese Federation of Employers) when it was inaugurated in 1948. Moroi was a graduate of economics faculty at Tokyo University in 1921 and an intimate friend of Marxist economist Tatsuo Morito, who was jailed. At its inception, the committee of Keizai Doyukai was composed of progressive young business leaders who were concerned with the problems of reconstruction and democratization of the enterprises. They had spent their youth or student life in the late Taisho era (the late 1910s and early 1920s), when the popular democratic movement known as Taisho Democracy was booming. It was also the age of the great expansion in the higher education, and the time when Marxism emerged and flowered among Japanese intellectuals. The influence of liberalism and Marxism was so great that these young intellectuals were to be very sympathetic to labour problems and disputes when they became managers. These factors seem to have had a very significant meaning during the turmoil of postwar reconstruction. [Nishizawa (1996; pp.103-5)]

As a committee member of Keizai Doyukai, Banjo Otsuka organized the study group on enterprise democratization in 1947, which drew up *Kigyo Minshuka Shian* [*A Tentative Plan for Enterprise Democratization*]. Otsuka insisted on radical economic democratization, and called it 'modified capitalism'. Otsuka was a classmate and good friend of Nobusuke Kishi, who graduated from Tokyo University in 1920 and became an able Minister of Commerce and Industry (postwar MITI) in 1941. Since the late 1930s, Otsuka had energetically advocated the separation of ownership and management, which was also promoted by the 'Innovative Bureaucrats' (Kakushin Kanryo). Much earlier, Tejiro Ueda of Tokyo University of Commerce had stressed the social significance of the managerial function, especially, in his article on "Shakaishugi to Kigyosha no Shokubun" [Socialism and the Function of Entrepreneur] (1921) [reprinted in his *Shakai-kaizo to Kigyo* [*Social Reconstruction and Business Enterprise*] (1926)].

Otsuka's proposals for enterprise democratization in *Shian* were something like the following. First, he advocated the co-ownership of business enterprise by management, capital, and labour—managers and workers who provided management and labour should be equal to stockholders. Second, he proposed enterprise democratization by means of the Managerial Councils (Keiei-kyogikai), where workers, like managers, would have voting power. Third, stockholders would only be constituent members of the company and provide capital, in the same way as managers provide management and workers provide labour. Although these proposals remained a tentative plan, its basic concepts seem to have materialized eventually during the course of the productivity movement. *Shian* frankly states: 'While traditional

labour unions basically tried to protect their interests from outside the enterprise, in the new business system they would assume a positive role in enhancing their interests by placing themselves within management and thus improving the efficiency of management.' Here, one can see a clear intention to preserve and strengthen the enterprise union system.

The Managerial Councils had been established in various forms in many factories and enterprises in the early postwar years of fierce labour turmoil. As consultative and decision-making organization for both labour and management, they were regarded by the government as well as labour and management as a demonstration that the democratization of enterprises was actually possible. The Central Labour Commission announced the *Keiei-kyogikai Shishin* [*Guidelines for Managerial Councils*] in 1946. Keizai Doyukai also advanced a plan for managerial councils that tried to institutionalize labour's participation in management. The Managerial Councils followed up the prewar Factory Committees, which grew in clusters in early 1920s and early 1930s, and highly influenced by ideas of the Whitley Committee and the German Betriebsrat.

The moderate faction of labour movement, like *Sodomei* (Japan Trade Union Federation) also highly valued this management participation through the Managerial Councils. *Sodomei* showed a strong interest in the 'progressive' Keizai Doyukai; and a move for the formation of the Economic Recovery Congress (Keizai Fukko Kaigi), based on the co-operation between labour and management, and it was Banjo Otsuka who played the central role in this turn of events. Keizai Doyukai advanced the ideas of enterprise democratization and modified capitalism, and convened the Economic Recovery Congress. Progressive managers sought to co-operate with labour unions to institute 'raising productivity' by co-operative labour-management structures based on core components of labour and management separated from ownership.

However, Keizai Doyukai's 'high efficiency—high wages approach' to industrial problems proved to be unsuccessful at that time, and the Economic Recovery Congress was dissolved in April 1948; in the same month *Nikkeiren* was established, and started all out attack on radical unions. Consequent series of disputes resulted in the drastic decrease of the Managerial Councils. However, after the radical unions were dissolved and the Communist party influenced labour leaders dismissed, the labour-management consultative organs were to reappear in the new roles.

## V. *Productivity Movement and Labour-Management Consultation System*

Nakayama eschewed the use of management-centered terms, 'labour management' and 'labour policy', in favor of labour-management relations, and during his tenure on the Central Labour Commission he promoted as keywords the 'labour movement as a modern system' and the formation of 'new managers and new workers' as 'democratic partners'. If both managers and workers became strong, 'then *Shunto* (Spring Offensive) would become a festival'.<sup>4</sup> Nakayama believed that the preconditions for labour-management consultation were the formation of 'new managers and new workers' and of 'new workers and new labour unions,' 'especially human relations'. In the postscript to the new edition of *Atarashii Keieisha*,

<sup>4</sup> "Zadankai—Nakayama Ichiro Shi wo Kataru," pp.102-05.



*Atarashii Rodosha* [*New Managers, New Workers*] (1963), he stated the following about the changed social status of labour unions.

To say in a word how unions have become big and strong, and how they have advanced further from that point, it is that unions grew to where they had to take responsibility for their own actions. As core actors in modern industrial relations, unions at the beginning had an absolutely alien existence. Having emerged in modern society as alien, unions soon concentrated their full powers on trying to confirm that status. A history of struggle succeeded by struggle, and opposition succeeded by opposition started here. Labour-management relations as a history of disputes first originated in the unions' nature of being alien. Striving in struggles brought soon forth results in various forms. The establishment of the Factory Law and the Labour Standards Law, and the affirmation of the rights of collective action, collective bargaining, and striking through the Labour Union Law were the major successes, and along with those successes the unions also achieved full recognition of their social status. The status of a labour union in a modern industrial state was to be able to move beyond the creation of social reformers of 100 years ago. The affirmation and expansion of this status bestowed a major change in the character of unions. That was that unions were no longer the alien of society, but important compatriot. Being compatriot, they grew to the point where they had to become conscious of their responsibility. [Nakayama (1963; pp.182-3)]

Labour-management relations moved from the chaos of the early postwar era to the calm era on account of economic reconstruction and recovery. The major trends of global industrial relations indicated a progression 'from the struggle-centered relationship up to now to a mutual sharing of responsibility, and the cooperation based thereon'. The U.S. carried out technical assistance plans while Britain and the rest of Europe promoted productivity movements, and Japan established its own Productivity Center (JPC) in February 1955. The idea of JPC dates back to Keizai Doyukai's annual meeting in 1953. Keizai Doyukai's intellectual leader and secretary, Kohei Goshi, communicated his recent experiences in Europe, where he had been very impressed by the industrial relations and cooperation of managers and workers in West Germany and the productivity movement in Great Britain. Graham Hutton's *We Too Can Prosper* (1953) greatly stimulated Goshi, and he was particularly interested in the remarks: 'The secret of the high productivity of the U.S. is not in the machine.... it lies in the unreserved collaboration of the worker and the boss.' A direct cause of JPC's establishment was partly because Wesley Haroldson from U.S. Ambassador had offered to support the founding of a productivity center, and had spoken to Nakayama and Keizai Doyukai. Nakayama had visited the U.S. under the exchange programme by GARIOA fund in 1950 and attended the annual congresses of the ILO as the government's representative in 1953 and 1954. He emphasized that the productivity movement should both include and 'unify managers and workers as well as persons of academic experience.' Nakayama and Shigeo Nagano (Yahata Steel) were named vice-presidents of the new organization (the president was Taizo Ishizaka and the general secretary was Kohei Goshi). Nakayama headed a management inspection mission that visited the U.S. in September-October 1955, the fourth one of altogether some 393 teams, consisting of 3,987 individuals till 1961. They made the first productivity report called *Han-ei Keizai to Keiei* [*Prosperous Economy and Management: the*

*Report of Top Management Mission*] in 1956, in which Nakayama wrote “Roshi-kankei ni Tsuite” [On Industrial Relations].

Beginning in the fall of 1957 Nakayama wrote a series of articles “Korekara no Roshi-kankei” [Industrial Relations from Now On] for the *Asahi Newspaper*, and in 1958 from those he developed *Atarashii Keieisha, Atarashii Rodosha* [New Managers, New Workers] and further published *Roshi Kyogisei* [The Labour-Management Consultation System], as one of the Productivity Library series. In the January 1, 1959 edition of the *Yomiuri Newspaper*, he posted his well-known article “Chingin Nibai wo Teisho — Seisan nobaseba yume de nai” [A Proposal for Wages Doubling: it's not a dream if production increases.]

When thinking about the future of Japan's economy, in abstract form the most comprehensive phrase is welfare state.... But how can we move toward the ideal of the welfare state just when we are poor, when facing this problem,... in concrete form, I want to boldly advocate for wages doubling. It is natural that management side that has grown used to production and exports under a low standard of living, that is low wages, will raise voices of protest against suddenly making income doubling a goal. Stated the other way around, however, it is a problem of productive efficiency. If the one valued the increase in capability of productive efficiency at twice that of wages, the result is that there would be no reason to deny a doubling of wages .... If lousy labour relations are a major cause of production impediments, then I believe that calling for the workers' cooperation under this slogan would be a wise way of doing things. Doubling of incomes, first as a mutual goal of labour and management, and at last as a purpose of national policy, could be an effective first step toward a concrete future vision of Japan's economy. [*Zenshu* [*Works*], Vol.14; pp.32-4]

The cooperation and harmony of labour was necessary for the development of the productivity movement. However, the radical national labour federation *Sohyo* (General Council of Trade Unions of Japan) had criticized the Productivity Center even before its start, accusing it of being ‘a link in the MSA remilitarization economic policy, a mechanism within which managers using the beautiful names of labour-management cooperation and raising productivity will study ways to intensify labour and hold down wages.’ Goshi argued against this view in an *Asahi Newspaper* article entitled “Seisansei Kojo to Rodokumiai” [Productivity Raising and the Labour Unions.] Unlike the rationalization and efficiency raising practiced until then, in the case of productivity raising: ‘the benefits will be bestowed equally upon consumers, workers, and managers.’ Raising productivity would ‘enrich the wellsprings of livelihoods and wages’, that is, ‘fatten the goose’. *Sohyo's* objective in its struggles were always wage increases, but, asked Nakayama rhetorically, ‘without raising productivity, how could wage increases be possible?’<sup>5</sup>

The First Productivity Contact Council meeting, held in May 1955, decided on the three principles which were believed necessary for the productivity movement to develop as national movement. The three principles also derived from Nakayama's conceptions, and expressed his basic doctrines on labour-management relations.

They were:

<sup>5</sup> Nihon Seisansei Honbu (1985; pp.108-10). *Asahi Shinbun*, 21 February 1955. Nakayama (1963; p.123).

1. Productivity improvement would ultimately expand employment, but for the transient redundancy the appropriate measures should be adopted so as to prevent unemployment by means of workers relocation and so on, through private-public sector cooperation, in the most efficient manner possible from a national economic viewpoint.
2. As regards the concrete proposals for the purpose of raising productivity, labour-management consultations would be held to make adjustments to the actual conditions of each enterprises and to further study into these matters.
3. The fruits of productivity raising would, according to the actual conditions of the national economy, be fairly distributed among managers and workers as well as consumers.

It was JPC, which had most responsibility for the vital question of dissemination of ideas and enlightenment.

It ran seminar and lecture series, and oversaw an ambitious scheme of internal study visits, whereby teams from different Japanese sectors visited each other to see new techniques in action. JPC also launched five regional productivity centers during 1955-56 and later moved even closer to the provincial grassroots by forming a network of similar organizations at prefectural and sub-prefectural levels. In every sphere of activity, JPC was fully alive to the need for appropriate propaganda. Its broadsheet, the *Nihon Seisansei News* [*Japan Productivity News*], had a circulation of about 35,000 in 1960. Even greater numbers were reached by radio broadcasts and film shows. JPC possessed nearly 300 films at the end of the 1950s, many provided by the Americans, and claimed that these had been shown over 20,000 times already to an audience that totaled 1.2 million. [Tiratsoo (2000; p.121)]

JPC also publicized its ideas and activities by issuing the *Seisansei Kojo News* [*Productivity Raising News*] a twice month from April 1955, and in May it began to put out the *Seisansei Kojo Series* [*Productivity Raising Series*] every ten days in order to 'generally disseminate correct productivity consciousness'. In No.7 of the latter, Nakayama's article "Seisansei no Riron to Jissai" [The Theory and Reality of Productivity] appeared. In the second half of the article, Nakayama discussed the three principles, focusing on the need to emphasize human relations in enterprises. In economic practice up to that time,

All efforts were concentrated on production costs or price relations, and in comparison no effort was made toward the conditions of labour. On the labour side, enough consideration was given toward wage costs, but apart from that, with regard to human conditions, only an extremely inadequate attention was given. Speaking of rationalization, the natural outcome of this situation was that one could think readily of dismissals. However, this cannot be done in today's economy. In the contemporary economy with its calls for human relations and industrial relations, even in computing enterprise costs it is clearly seen that neglecting the human relations of labour is something that cannot be done. [Nakayama (1956; pp.97-8)]

The productivity movement could not develop without its two pillars, labour and management, fully comprehending its spirit and execution, hence cooperative labour-management consultation became indispensable. This thinking led to the establishment in November 1956 of a Special Committee, connected to the Productivity Center and headed by Nakayama. In June 1956, the Special Committee announced its "Way for a Labour-Management Consultation System Related to Productivity", and later added basic directions

for the labour-management consultation system. In November, the Standing Committee on the Labour-Management Consultation System was established, with Nakayama as chairman (until his death), to serve as an executive committee to set up guidelines for the consultation system and guide its dissemination. In October 1959, the Standing Committee published the *Nihon no Roshi Kyogisei* [Japan's Labour-Management Consultation System] and announced that it would bring an end to 'old-style industrial relations issues' where collective bargaining meant dividing the pie, and bring forth 'absolutely new and different issues' so that raising productivity would mean increasing the size of the pie. Further, it would call for 'self-conscious and cooperative measures by labour and management,' necessitating 'rational consultation on an equal basis by labour and management' in each enterprise. From that time on, the Standing Committee has made major contributions to realizing the diffusion and institutionalization of the consultation system in each enterprise nationwide. [Nihon Seisansei Honbu (1985; p.304, pp.307-8, pp.313-16; 1959; pp.1-2)]

As emphasized in the Manual called "Way to a Productivity-Oriented Labour-Management Consultation System", there was a distinction made between collective bargaining and a mutual labour-management understanding based on a self-conscious realization of 'the social responsibility of enterprises'. It was also emphasized that the foundation for labour-management cooperation did not rest on using productivity to increase corporate profits, but in enhancing the welfare of the nation as a whole. Making up the foundation of cooperation were three conditions: (1) mutual recognition between labour and management, (2) a fair distribution of benefits, and (3) employment security. With regard to Condition 1, managers needed to realize the 'social-ness (*shakaisei*) of the enterprise' as well as be properly cognizant of 'the social function of labour unions'. Similarly, workers needed to recognize 'the social responsibility they exercised toward the national economy' while not ignoring the economic bases of their enterprises. Condition 2 called for a 'labour-management concord' resting not on a power relationship focused on 'collective bargaining for the sake of raising wages', but rather on an objective 'recognition of rewards' along with 'rational wage systems' and 'particular profit distributing methods' reflecting productivity increases. The 'social mission of the enterprise' and the 'social responsibility of the enterprise' evident in these ideas accorded with the 'new management ideal' espoused by Keizai Doyukai in its Memorial of 1956, *Keieisha no Shakaiteki-sekinin no Jikaku to Jissen* [The Recognition and Practice of Social Responsibility by Managers].

In 1955, the same year that the Productivity Center was founded, two new political parties were also established. The Japan Socialist Party brought together the progressive parties while the conservative parties banded together to form the Liberal Democratic Party, resulting in the creation of the new political order that supported high economic growth. In the following year, the successful economic recovery prompted the government-produced *Keizai-hakusho* [White Paper on Economy] to make memorable observation that 'this is no longer the postwar era'. At its national conference in November 1955, Keizai Doyukai adopted the "Gikaiseiji Yogo ni kansuru Ketsugi" [Resolution in Defense of Parliamentary Democracy]. Along with lauding the importance of a two-party system, the resolution stressed the following points. 'Enterprises exist for the sake of the development of the national economy, and the fundamental idea of management must be that managers hold a responsibility to respond to the needs of the nation'. Further, 'we plan for the establishment of industrial peace, and will strive to improve productivity.' [Keizai Doyukai (1976; pp.70-74)]

Japanese companies usually regard the maximization of profit for capital as their life, and emphasize short-term interest. Many of them do not have a high, wide vision, and forget the mission of contributing to the welfare of society.....The company neither is made up simply of capital, nor should be responsible solely to the interest of capital. Since both capital and the company need to continue their operation, they must satisfy the welfare of employees and must benefit the general public. The company is a place of production....It is also a place of employment and a provider of welfare. The scientific promotion of productivity is not only a necessary condition for its own survival, but also a way to lighten employees' hardship at work, to improve their standard of living, and to provide good, cheap products to society.

It was at this national conference that Keizai Doyukai asserted that 'social responsibility' was a new management concept and that enterprises were a 'public organ'. The declaration of Sohei Nakayama created an important legacy for the development of a new era of ideal for Keizai Doyukai by stressing the tradition from enterprise democratization and the Economic Recovery Congress. The declaration went as follows:

The present era calls for a new management concept...What is the new management concept? I believe that it is social responsibility. The thinking of managers until now was that their task was to increase the profits of individual enterprises for the sake of individual enterprises, so they focused on the pursuit of enterprise profit as their goal. In contrast, the new management concept demands responsibility towards shareholders, responsibility towards employees, and responsibility towards the public.

Therefore, it was natural that there should be a new perception on the part of workers also. Nakayama continued: 'Not only must enterprises bear a social responsibility, but it is natural for the labour movement as well to make the prosperity of enterprises a precondition... Labour and management together, by mutually sharing the gains made through raising productivity, shall develop the economy'.

Takeshi Sakurada stated, 'At present...It is the managers in true meaning who make abundant use of intelligence and technology and contribute to the welfare of the public, and who take charge of business as a true public organ — this is what we call the era of management'. He declared, 'The basis of managerial spirit is total application of the belief that we managers truly treat enterprise as a public organ'. Two elements were involved in treating firms as public organ. First, owners had to suppress their self-interested motivations and stabilize their ownership for the long-term. Second, since firms had to be managed for the benefit of public welfare, 'to give in to the arbitrariness of a group of workers is contrary to the desire of managers to treat [enterprises] as public organ'. According to Sakurada, 'Management and labour under democratic rules must contend properly on an equal footing, not like class struggle, and respect the rules of check and balance so as to develop the enterprise;....It is important that labour and management should be aware and be persuaded that they, from an equal position, must achieve various responsibilities and respond to the needs of the people.' [Keizai Doyukai (1976; pp.416-18); Sakurada (1982, Vol.1; pp.13-18)]

These statements of Nakayama and Sakurada were to develop into the arguments about

'the social responsibilities of unions' by Keizai Doyukai's new leader Kazutaka Kikawada. *Nihon Rodo Kyokai Zasshi* [*Journal of Japan Labour Association*] published three special issues in April, May, and June, 1962, dealing with the topic of "The Social Responsibility of Labour and Management." In the April issues Kaoru Ota and Minoru Takita, leaders of the left-wing Sohyo and right-wing Zenro national labour federations, respectively, debated "The Social Responsibility of Managers", while Masaru Hayakawa of the hard-line employers association Nikkeiren debated Kikawada of the moderate employers association, Doyukai, on the topic "The Social Responsibility of Labour Unions." In the May issue, the pairs reversed topics, with Hayakawa and Kikawada debating management responsibilities, while Ota and Takita engaged on unions. In the June issue, a prominent industrial relations specialist Kazuo Okochi at Tokyo University summarized and recapitulated the debates under the rubric "The Social Responsibility of Labour and Management", and Nakayama presided over a roundtable discussion between the four labour and management representatives.

## VI. *Epilogue*

Peace and stability grew as a new balance between labour and management developed in the 1960s. In terms of world-history, Japan's labour-management relations were still relatively new. However, Nakayama stated that, 'Japanese labour-management relations are not necessarily backward in terms of form ... From the end of war the rapid modernization proceeded, and the cutting edge trend of world industrial relations in that way became an issue of Japan.' In *Nihon no Roshi Kyogisei* [*Japan's Labour-Management Consultation System*] (1963), Nakayama argued in its first section on "Labour- Management Consultation System as an Expression of Human Relations", that the consulting system was 'an expression of human relations between workers and managers' and 'the realization of democracy at the site of production'. He added:

This can be a system that is to deal head-on with industrial relations as human relations, along with resolving labour-management problems largely by means of collective bargaining and therefore especially conflictual relations as its extension. ... Trying to consider Japan's industrial relations from the aspect of the labour-management consultation system, is precisely because that the distinctive qualities of Japanese labour relations appear to be in this sphere of issues. [Zenshu [Works], Vol. 13; pp.509-11]

By adopting the three principles of productivity movement, particularly the labour-management consultation system in enterprise, Japanese companies could be able to externalize the domestic conflicts between management and labour by sharing the benefits created by the promotion of productivity, and they transformed the competing 'distributional coalitions' within the company to a cooperative production coalition in competition with outsiders. [Gao (1997; p.60)]

At the same time, Nakayama described collective bargaining and consultation in the following way. The two main pillars supporting labour-management relations were collective bargaining and consultation. The principal task of collective bargaining was to serve as the forum for resolving disputes over distributional issues, while consultation mainly undertook

problems related to production and served as the mechanism for resolving them at enterprise level. The two pillars had been regarded as independent until that time, he stated, but it had become impossible for them to be separated. What had brought their unification were changes in the capitalist economy and the growth of unions. In Japan's case, however:

The sudden progression of immature collective bargaining and the immature consultation system from their actual situation toward unification could not have been hoped for, but even if, say, one had desired it, an enormous danger awaited. In order to conduct collective bargaining effectively and entrust it to settle distribution, it has been necessary to make much hard effort at nurturing the proper adversarial bargaining. Trying to blur this point and conduct the consultation system alone would simply have the result of weakening the productive output of the laboriously built consultation system. Given the enterprise-based nature of Japan's labour unions, the development of the consultation system is highly desirable. However, in order that it truly contribute to production, and further therefore that it bring improvement in labour-management relations, it is necessary to establish very clear distinctions between rights and responsibilities. If not, it will not be possible to defend the consultation system from counter-movements, much less hope to expand the system and unify it with collective bargaining. [Nakayama (1963; pp.188-9)]

An official survey in 1963 found that as many as 13,600 enterprises now operated permanent consultation procedures. But it is also clear that many had followed the letter rather than the spirit of JPC line. It still needed some more time. And the permeation of the spirit of Nakayama and JPC's ideas was probably advanced in parallel with the high economic growth in the 1960s.

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