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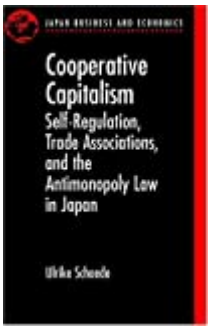


**Ulrike Schaede.** *Cooperative Capitalism: Self Regulation, Trade Associations, and the Antimonopoly Law in Japan.* New York: Oxford University Press, 2000. xi + 302 pp. $65.00 (cloth), ISBN 978-0-19-829718-5.

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## Japanese business regulation: collusion, cooperation and crisis

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The rise and apparent fall of Japan's distinctive form of capitalism is one of the most remarkable, intriguing, and potentially important stories in the post war international political economy. It raises a number of key questions that have importance for Japan, its Asian acolytes, and students of comparative politics and economics. How is it, for example, that what was a widely admired and emulated system has proved unable to maintain its former stellar economic performance and has become mired in a decade-long recession that threatens to get worse before it gets better? How did what Ronald Dore famously described as Japan's 'flexible rigidities'[1]–or cooperative, competitively advantageous social relations–become increasingly ossified and incapable of responding to the challenge of heightened international competition? How did the cooperative relationship between business and government in Japan, which was considered central to Japan's unparalleled post-war economic reconstruction, become emblematic of inefficiency, incompetence, and immobility?

While definitive answers to these questions may never be possible, especially given Japan's pivotal position in debates about the relative merits of Anglo-American neoliberal capitalism vs. East Asia's more statist variety,[2] Ulrike Schaede's book does help us to understand why existent relations and practices have proved so resistant to radical change despite Japan's economic slowdown. Although the principal subject matter of this book–the regulatory functions of trade associations–may not sound like the most inherently riveting material, it does provide an important window on contemporary Japan and the regulatory practices that have underpinned, and in important ways defined, Japan's political practices and economic structures.

The substance of the book is taken up with an analysis of the evolution and mechanisms of self-regulation as practised by Japan's thousands of trade associations, which perform a variety of coordination, representative and most crucially regulatory functions, and which range from smaller regional and industry-based associations, to

peak organisations like the Keidanren. In the penultimate chapter, Schaede traces the development and role of these associations. Although this chapter might have been more usefully placed earlier in the book, it does highlight the embedded and highly institutionalised nature of these organisations and helps to explain why they continue to exert a major influence on both regulatory outcomes and business behaviour in Japan more generally. It is important to recognise that private sector regulation is an increasingly important part of governance structures in many developed economies–often as a direct consequence of governments relinquishing regulatory authority to non-state actors.[3] What seems to be distinctive about Japan, however, is that not only have business organisations played a much more active part, for a much longer period in regulating economic activities than their counterparts elsewhere, but that their activities actually look likely to minimise the impact of powerful forces that are frequently associated with a neoliberal variant of 'globalisation.'

A number of important and illuminating claims emerge from Schaede's book. One key argument Schaede develops, which has implications for Japan's place in the wider global economy, flows from the claim that the frequently self-serving and collusive activities of trade associations will ensure that 'many Japanese markets will not become more open and accessible to foreign competitors' (p. ix). Other recent analyses of Japan's contemporary political economy have also cast doubt on the inevitability of change or opening in Japan,[4] but Schaede's analysis has the merit of persuasively demonstrating why this might be the case. Indeed, one of the great ironies of pressure for regulatory reform in Japan, also confirmed by other recent analyses,[5] is that the so-called liberalisation process may not lead to either a 'convergence' on 'Western' regulatory practices, nor a diminution in the number or impact of existent practices. In the case of the trade associations, Schaede persuasively argues self-regulation is not only increasing as government becomes less overtly interventionist in line with more widespread international trends and pressures, but that this is actually entrenching some of Japan's most deep-seated structural problems. The increased bifurcation of the Japanese economy into a competitive, externally oriented sector, and a protected, less efficient domestic economy of the sort detailed in Richard Katz's recent book,[6] is actually being exacerbated by the collusive practices of domestic firms, keen to minimise competition.

One of the most important puzzles this study throws some much needed light on, and something that might have been given more explicit consideration and emphasis, is the role that institutions continue to play in distinguishing one nation from another. Even in a supposedly global political economy, national institutions continue to matter and shape differential outcomes across countries–an issue of particular significance in the context of discussions of East Asia's possible future development.[7] This insight also helps to explain something many observers of Japan find particularly perplexing: why is it that apparently similar institutions produce radically different outcomes in different social settings? Schaede's analysis of the Japan Fair Trade Commission, the body charged with enforcing anti-trust and anti-monopoly law, demonstrates why the Commission performs very differently from its counterparts in North America. Public indifference and Japan's 'regulatory culture in general' (p. 110) have, Schaede argues, ensured that the Commission is much less effective and rigorous in its pursuit of collusive, anti-competitive behavior. In such circumstances, and even in the unlikely event that an economic recovery occurs in the near future, Schaede argues that the entrenched, socially embedded nature of Japan's trade associations means that self-regulation, will continue, 'because once instituted, a system of self-regulation is inherently stable and difficult to repress' (p. 259).

The major conclusion that this valuable, painstakingly researched study confirms, therefore, is that although Japan's famed 'developmental state' may be in terminal decline, this does not mean that radical change is about to sweep through Japan–at least, not without an even more decisive economic crisis than thus far experienced. For even though the private sector has become a more important influence on regulatory outcomes, the powerful trade associations will continue to pursue their own narrowly conceived interests. This does not mean, as Schaede rightly points out, that collusion or cooperation will necessarily lead to inefficiency, but that it does mean that trade association interests will remain a fundamental part of the Japanese political economy and shape public policy outcomes accordingly–for better or worse.

Despite the rather specialist nature of this investigation, some repetition in what is a fairly long book, and–to this reader, at least–the unedifying number-crunching that seems mandatory for so many studies emerging from North American these days, there is much to recommend this text to both Japan specialists and those with an interest in comparative political economy.

Notes

[1]. Ronald Dore (1986) Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy, (Stanford: Stanford University Press).

[2]. There is now an extensive literature about both the emergence and operation of East Asian forms of capitalism and what distinguishes it from other forms. See, for example, Weiss, L and Hobson, J. M. (1995) States and Economic Development: A Comparative Historical Analysis, (Oxford: Polity Press); Hall, P.A. and Soskice, D. (2001) Varieties of Capitalism: The Institutional Foundations of Comparative Advantage, Oxford: Oxford University Press); Whitley, R (1999) Divergent Capitalisms: The Social Structuring and Change of Business Systems, (Oxford University Press).

[3]. See Cutler, A.C., Haufler, V., and Porter, T. eds. (1999) Private Authority in International Affairs, (New York: State University of New York).

[4]. Lincoln, E. J. (2001) Arthritic Japan: Explaining the Slow Pace of Economic Reform, (Washington: Brookings Institution).

[5]. Vogel, S.K. (1996) Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries, (Ithaca: Cornell University Press).

[6]. Katz, R. (1998) Japan, The System That Soured: The Rise and fall of the Japanese Economic Miracle, (Armonk: M.E. Sharpe).

[7]. For a fuller discussion of this point, especially in an East Asian context, see, Mark Beeson, (2002) 'Theorising institutional change in East Asia', in Beeson, M. (ed.), Reconfiguring East Asia: Regional Institutions and Organisations After the Crisis, (London: Curzon Press): 7-27.

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