

growth, the conference was most successful. Perhaps now the time has come for conferences which would discuss and evaluate the measures of actual performances of Asian economics during the past two decades (and in some cases during the decades before the war) and would also make a start on the analysis and interpretation of such performances, especially if we agree with Paul Samuelson that science consists mainly of analytic "description of empirical, observable regularities." (See his discussion in the *American Economic Review*, various issues in 1963, 1964, 1965.) (Harry T. Oshima)

SEYMOUR BROADBRIDGE, *Industrial Dualism in Japan: A Problem of Economic Growth and Structural Change*, Frank Cass & Co., London, 1966, xi+105 pp.

Irrespective of the method of analysis, a close examination of the problem of small and medium enterprises is vital in dealing with the economic growth of Japan. It is true that, even in contemporary advanced Western nations, the existence of the small and medium enterprises in great numbers remains a crucial element constituting the structure of their economies. But, in analyzing the economy of Japan, one of the main objectives should be the small and medium enterprises, because it is not possible to recognize the economy of Japan without examining them. In this sense, the analysis of the small and medium enterprises of Japan has a different significance when contrasted with other advanced Western nations.

In Japan, the small and medium enterprises not only differ in scale when compared with the large enterprises, but also differ in quality as a group of enterprises. Therefore, special attention should be paid to the characteristics of these small and medium enterprises which can be clearly "distinguished" from other enterprises. However, the characteristics of these enterprises are far from being simple or homogeneous, rather they can be interpreted as heterogeneous, pluralistic and complicated. Moreover, as place of employment, these small and medium enterprises when compared with the large enterprises account for a very high proportion of employment. They still occupy at present the primary place of employment for the Japanese.

From the Meiji era to the present, these small and medium enterprises have been deeply entwined in the development of the Japanese economy. It is recognized that the rapid industrialization of Japan is unmatched in world history. These enterprises are by no means the residue of the development process. They have, on the contrary, been a primary factor in this development process. The fact that these enterprises are deeply interwoven in the development of the Japanese economy structurally can be seen even in contemporary Japan.

In Japan, these small and medium enterprises are closely connected with various undesirable economic problems like low productivity, low wages, low levels of technology, instability, and excessive competition. These all reflect

the structural contradictions embroiled in the national economy of Japan. Therefore, as these differ in Japan from other countries, in scanning the economy of Japan, special consideration must be given to the accurate comprehension of these small and medium enterprises.

In analyzing the small and medium enterprises of Japan, they should not be separated from the rest of the economy; the growth and transition of these enterprises should be handled as a structural problem internalized in the national economy of Japan. This attitude should also be adopted when observing the transformation of these small and medium enterprises in this recent period of rapid economic growth. That is, the question of the changing position of these enterprises in the recent development of Japanese industrial structure should also be the focal point of analysis.

This has been the attitude of many research workers in these small and medium enterprises in Japan. In the present book the author has also taken a similar stand concerning this problem. This can be observed from the subtitle of the book.

The author has very correctly pointed out in the Introduction the fact that, in spite of the rapid economic growth in Japan since the Korean War, there still persists this problem of industrial dualism of highly developed modern large-scale enterprises with the multitude of pre-capitalistic small-scale enterprises.

The origins of industrial dualism in Japan have been closely connected with the historical process of industrialization which began since the Meiji period. The industrialization of Japan had to be carried out under unfavorable conditions in the international economy when the advanced Western nations having undergone the process of industrialization were competing for overseas markets and colonies. Industrialization did not occur spontaneously in Japan. It was a forced industrialization from above in which the government was the prime mover in maintaining the independence of the nation. In this way, the industrialization of Japan depended on the traditional industries of the small-scale indigenous enterprises to produce consumer goods, and the transplanted industries of the large-scale modern enterprises to produce producer goods. Chapter 1 deals with the historical origins of industrial dualism in Japan in the process of industrialization up to the Second World War. References are made to government policies and the rise of the *Zaibatsu*, the structure of the capital and money markets, the dependence on imported technology and techniques, the consumption and saving habits of the Japanese, and the structure of the labor market and the pattern of agricultural development.

Chapter 2 discusses why, in spite of the rapid economic growth since the Second World War, industrial dualism still continues to persist in Japan. Despite the fact that, in the postwar years, the displacement of the huge labor force of the primary sector resulting from land reform and the decreasing agricultural sector was absorbed similarly as in the prewar years by the small and medium enterprises, Japan continued to invest a big proportion of

capital formation concentrated in the heavy industries of the large-scale enterprises under the strong leadership of the government. This strengthened the trend of industrial concentration through rapid industrial reorganization centering around the big banks. Government stress on economic policies to intensify international competitiveness focused on the merging of enterprises. This was aimed so that the industrial structure in Japan would match that of the advanced Western nations, whose pattern was understood to place strong emphasis on the heavy industries. Due to these various factors the industrial dualism in Japan still remains a cardinal issue.

Chapter 3 statistically presents the contents of industrial dualism and the recent policies toward these small and medium enterprises. It is shown statistically that the small and medium enterprises of Japan have a heavier weight in the entire economy when compared with those of the advanced Western nations. The outstanding characteristics of wide wage and productivity differentials by scale are also verified by statistics. The changes in industrial scale which occurred during the period of fast growth between 1955 and 1961 is observed next. The scale of the economy almost doubled in this period, and the statistics indicate that the growth of the large enterprises was well above that of the small and medium enterprises. They further show that productivity differentials grew rapidly, but wage differentials narrowed because of the shortage of young laborers.

In Chapter 4 the relationships between large and small firms in the complicated system of subcontracting—the most prominent characteristic of Japanese dualism—are illustrated by the author's investigation. The type of industry taken into consideration here is the most modern and the most rapid developed industry: the automobile industry. Many of these small and medium parts makers are directly or indirectly connected with the giant assembly makers as subcontractors. These subcontracting small and medium firms, on the one hand, receive from their "parent" companies assistances and guidances to insure their rapid growth and development, but, on the other hand, they are dominated by the various restrictions set up by their "parent" companies. These restrictions consist of delay in cash payment, undue cutting down of unit cost, etc. . . . In the subcontracting system the problem of industrial dualism in Japan is evident. This system of subcontracting even extends all the way down to the very small family workshops consisting of sometimes only one employee.

The author emphasizes a case of a medium-sized company, as a model, which has recently achieved rapid progress through the measures of rationalization and expansion under the present subcontracting system, and concludes that "this trend, which no doubt reflects the changing relationships between large and medium companies, may well be one of the signs that the duality in the economy [is] approaching its term." (p. 95)

The author has deep understanding not only of the references in English on the subject, but he also has a clear insight into some of the basic material written in Japanese. Thus this work serves as a well-summarized introductory

book for the English-speaking research worker interested in the economy of Japan. The author spent his days in Japan during the transitional period of these small and medium enterprises arising from the extremely rapid growth of the economy, and had the opportunity to make actual investigations on some of the small and medium enterprises. All these have contributed to add vividness and prominence to the book. The author is a British scholar who has published distinguished writings on modern British economic history. The profound understanding of the author on British industrial history is reflected in the historical analysis and the international comparison of the present book.

This book can be appreciated in the above-mentioned terms, but some comments on the analysis of this book are necessary. Firstly, the author's concluding remark on the solution of dualism based on the growing medium enterprises is not clearly related with the theoretical background. It is true that some small and medium enterprises grew very rapidly in this period, but most of them belonged to the selected and upper class of the small and medium enterprises and they, as shown in this book, could only grow under the hierarchical subcontracting system. We must not overlook the fact that not all the small and medium enterprises grew rapidly; most of them showed fairly low growth when compared with the growth of the big enterprises.

On top of this, their technological levels cannot in general have improved very much because of the widening differentiation of investment by scale. On the whole, many of the small and medium enterprises have been left behind in the postwar development of the Japanese economy. As pointed out by the author, "[the financial] structure has, with the stimulation of government policy and rapid technological change, canalised credit and other resources to the benefit of the [big] companies." (p. 38) Therefore, when compared with the large enterprises, the small and medium enterprises as a whole face relatively low productivity, with the contradiction that the rise in costs arising from the rise in wages cannot be covered. This contradiction is more severe in those stagnating and deteriorating small and medium companies which have not been able to participate under the large enterprises. On the other hand, many small and medium enterprises working under the large enterprises confront financial difficulties when in times of tight-money policies the big companies stop lending assistances and make orders only to a few selected small and medium companies.

In this sense, even if the economy of Japan can sustain a high growth in the future, it does not mean that the problem of industrial dualism will be solved automatically. Therefore, the conclusion of this study should not be limited to mere presentation of "model" companies, but should be extended to further theoretical analysis of these growing small and medium enterprises in relation with the objective evaluation of the changing economic and social conditions.

Secondly, as the author's method of analysis is ambiguous, this book has not been able to break away from the existing studies on the Japanese small

and medium enterprises. It is regrettable that the author has not been able to suggest his own view on the subject positively. The author has accentuated the traditional understanding of the Japanese small and medium business problem as "peculiar" and "backward." Although he often cites some historical cases of England in order to show the backward nature of the Japanese industrial dualism, the criteria and concept for comparison are exceedingly vague. It is the wish of the reviewer to expect the author further research on the small and medium enterprises of Japan from the standpoint of international comparison. While the problem of these small and medium enterprises is considered in the historical peculiarity of the industrial process of Japan as is pointed out by the author, it is a reflection of the common contradiction incorporated in the modern capitalist economies. Therefore, comparative studies on this problem between the present advanced Western countries and Japan might throw new light on the subject. (*Masaharu Toike*)