

BOOK REVIEWS

Economic Development and the Labor Market in Japan by Koji Taira, New York and London, Columbia University Press, 1970, xiii+282 pp.

This book makes many important contributions to a better understanding of the Japanese economy by presenting stimulating research work which challenges prevailing views on the development of the labor market, industrial relations and social policy in modern Japan. The author's views will have far-reaching influence abroad as he may be confidently expected to be and actually is well acquainted with the real state of the Japanese economy, society, and culture. With this preliminary praise in mind, I, as one Japanese labor economist, would like to draw out some points in this book that are not entirely convincing to me.

This book consists of two parts. Part I deals with analysis from the standpoint of the neoclassical school of changes in relative wages since the early Meiji era; Part II from a broader standpoint is devoted to a discussion of institutions in the Japanese labor market.

No sooner had the author opened his "Introduction" to the book than he began his challenge to current prevailing views. Thus, the author, basing his argument on Nakamura's estimates of agricultural production and Shionoya's estimates of industrial production, contends that "Japan's industrialization and economic development at least before the First World War were leisurely affairs unworthy of descriptions connoting rapidity and amazement which have so far characterized the discussion of Japanese experience," and goes on to say that "Japan's prewar development was limited by the lack of paid labor suitable to large-scale, capital-intensive factories." It is true that the new estimates of agricultural production published in the *Agriculture and Forestry* (Vol. 9 of ELTES) still involve some underestimates for the period of 1870s because per capita calory intake derived from the above estimates is unreasonably low for the decade. However, there also remain questions about Nakamura's estimates. The average annual rate of increase of agricultural production before World War I according to Nakamura's estimates was almost the same as the annual rate of growth of total population estimated by the Cabinet Bureau of Statistics. This implies that food consumption per capita remained constant. This would mean that income elasticity of food consumption over this period was zero using my estimate of 0.9 per cent for the average annual increase of real wages over the same time. Furthermore, though without doubt the Shionoya Index provides the best available estimates of industrial production, even if the Shionoya Index should take the place of Nagoya Index, it would have but little direct influence on the estimates of industrial added values of our Hitotsubashi Group. This is because the data we used for our estimates of the industrial sector was the Value of Industrial Production estimated by the Nagoya Commercial College researchers, and not the Index of Industrial Production constructed by another Nagoya Commercial College researcher, Prof. Koide, to which the author refers. It seems that on this point the author carelessly confuses one with the other.

After having closely examined in Chapters 1 and 2 wages and other related economic statistics before World War II, the author comes to the conclusion that "the periods

of swings in the Japanese wage differentials are like those of the Kuznets cycles and are systematically associated with the genuine Kuznets cycles in general economic conditions." The thorough and detailed description of the long swings in wage differentials—original findings of the author—elevates the persuasiveness of his conclusions. The author does indeed indicate a lucrative future direction for studies when he states that, based upon the above quoted finding, "although variations in wage differentials are associated with ordinary business cycles in other countries, they are associated with the Kuznets cycles in Japan."

In Chapter 3, after a statistical test on the relationship between the ratio of the industrial to agricultural wages on the one hand and the variations in per capita real national income and net out-migration from the primary sector on the other, the author continues with theoretical analysis in a neoclassical fashion of the interactions between agriculture and industry. On the basis of the positive as well as theoretical analyses, the author objects to the application of the Lewisian model of unlimited supplies of labor to the Japanese economy. Although I also am hesitant to readily apply the Lewisian model to the economy of Meiji Japan for an entirely different reason from that of the author's, I cannot think that there is the alleged logical contradiction pointed out by the author between the Lewisian model and neoclassical analysis. To begin with, it is difficult to agree to the idea of naming one stage of economic growth either classical or neoclassical. In Chapter 5, the author, objecting to the arguments advanced by James Abegglen, states that "the employer labor policy commonly regarded as 'paternalistic' resulted from employers' rational responses to the labor market conditions characterized by acute labor shortage and high labor turnover during the first round of Japan's industrialization." Thus the author is by no means eager to accept a theory that calls for unlimited supplies of labor which is in exact contradiction to his own explanation. Here, the focus of discussion has moved to whether the labor market of the Meiji era should be characterized as one of labor shortage or of labor surplus.

The description in Chapter 5 regarding the supply shortage and high labor turnover of male skilled workers in metal and machine factories and of female unskilled workers in textile factories is quite appropriate. Lewisians neglected adequate consideration here, and this the author should have attacked. But far from delivering a thrust at it, the author, to my dismay, did not then consider male unskilled workers (male workers from villages come under this category) upon whom the Lewisians focused their analysis. It seems to me that the author, like the Lewisians, is unexpectedly caught in a trap of biased views in rushing too quickly to conclusions. Is it not true that the fundamental characteristic of the Meiji era labor market in the process of forming a national labor market was the co-existence of labor shortage and labor surplus?

Chapter 4 deals with the analysis of changes in wage differentials after World War II. In view of the comprehensive analysis regarding the pre-W.W.II period, the intensity of analysis in this chapter, unfortunately, seems somewhat inferior. One example to support this is the fact that no use is made of the Wage Structure Survey designed especially for the analysis of wage differentials. Of course, to be fair, we must admit that neither have Japanese labor economists made comprehensive utilization of the Wage Structure Survey, and the data still awaits analysis.

The same strong attack to the Lewisians in the previous chapter is now delivered to the "dualists." Two contentions by the author are: first, that the dualists unreasonably reject the application of the neoclassical framework to Japan, which, to

the author, is "capable of explaining all the characteristics of the Japanese economic process," and second, that it is very difficult to reasonably reconcile the "Lewisian" and "dualist" views of Japanese economic development. I personally cannot understand the first argument by the author. Where on earth does the neoclassical doctrine decisively contradict the interpretation that job opportunities provided by the expanding modern sector of the Japanese economy were short of the increasing labor supply, or the opinion that the real labor market is far from the ideal labor market supposed by highly abstract economic theories? As far as I know, Japanese dualists are either "Marxists" or, like the author, "neoclassicists."

Chapter 5 presents what may well be the first attempt to explain the origins of employer paternalism by rational behavior of the employers to secure a stable labor supply. The still predominant view among Japanese labor sociologists and labor relations researchers is to identify paternalism with epithets like traditional, feudal, or irrational, and it is possible that Abegglen was influenced by such a view. I am in sympathy with the author's view on this.

Chapter 6 takes up the interwar period between W.W.I and II focusing upon the Factory Law, the labor union movement, and the *nenkō joretsu* system (ranking by length of employment). Though Japanese labor economists traditionally have had a great concern about agriculture, the author seems to show little interest in it. If, however, in discussing the formation of the Factory Law and the labor union movement, the author had paid more attention to agricultural policies of the same period like the rice-price adjustment or tenancy acts, or to the ebbs and flows of the tenant movements, he would have been able to have a better understanding of the dynamics of the Japanese society then. Because, as the author is well aware, Japan then was essentially an agricultural society. Though it is evident to us Japanese economists from our daily experiences that the ideal type of the *nenkō joretsu* system in theory differs in many aspects from its actual practices in Japanese big business, it would be useful to foreign scholars who are less familiar with the present state of Japan to point this out clearly with statistical data. Here I would like to add a piece of information. That is, at least up until W.W.II laborers in Japan made it their ideal to become a master of an independent business, however small it might be, utilizing the skills and knowledge they had gained while working in factories or stores, and in fact, the possibility that they would actually do so was too great to allow us to ignore it. Incidentally, though a minor point, the "Distribution of *Regular Manual Workers by Length of Employment*" shown in table 19, p. 154, is inappropriate for use as an index of labor mobility as the author intended, because the percentages would be affected by the number of newly employed workers.

Chapter 7 is related to an analysis of the impact of unions after W.W.II. Even today the prejudice abroad that the Japanese "enterprise union" is what is called a *company union* is still alive. I sincerely hope that the author's analysis will help erase this prejudice. The intrafirm wage structure presented by the author is quite unique. The author contends that "the nature of seemingly age-related pay in postwar years is entirely different from what is often called *nenkō joretsu chingin* described in Chapter 6," and attributes its origin to the Electricity Industry Formula formed under pressure from the union. Although it is true that impact of the Electricity Industry Formula on the intrafirm wage structure in postwar years was great, it is also undeniable that the Electricity Formula itself is a descendant of the war-time wage control system which in reality was of a form officially approving the *nenkō* wage system of the interwar years. The divergence of opinions lies in the interpretation

of whether or not the actual functionings of the *nenkō* wage system during interwar years differed from those of intrafirm wage structure based upon the Electricity Industry Formula during postwar years. For myself, I am not yet prepared to attempt an answer to this extremely delicate question. (Mataji Umemura)

The Sino-American Joint Commission on Rural Reconstruction: Twenty Years of Cooperation for Agricultural Development by T. H. Shen, Ithaca and London, Cornell University Press, 1970, xiv+278 pp.

The Sino-American Joint Commission on Rural Reconstruction (JCRR) came into being at Nanking in October 1948 as a cooperative agricultural organization between both nations based on the China Aid Act. Since then over twenty years have passed, and during this time, with the withdrawal of Nationalist China to Taiwan, the scope of JCRR's activities has been restricted to the area of Taiwan (including Quemoy and Matsu). This book records the JCRR's activities over the past twenty years, illustrating one case of what international cooperation can be.

The book is divided into four parts. The first part, "Background and Organization," comprises five sections outlining the origins of JCRR, its policies and program, its organization and staff, the program operation and budget analysis. The second part, "Groundwork in Taiwan," reviews agricultural rehabilitation and reforms carried out in the early 1950s and the plans for new development, for instance, land reform, the reorganization of farmers' associations and the agricultural plans and achievements.

The third, and main, part of the book, "Major Projects," comprises thirteen sections in total which elaborate on most of the projects that have been implemented in Taiwan. In detail, it covers agricultural education, research, and extension, land use and soil conservation, water control, plant industry, animal industry, forestry, fisheries, agricultural marketing and export, agricultural statistics and economic studies, agricultural credit, rural health and family planning, JCRR assistance to Quemoy and international technical cooperation. The fourth and final part, "Evaluation," looks at the results of the past twenty years of activities, drawing out causes of success, investigating program failures, and offering a future prospective.

The author, Dr. T. H. Shen, has been actively playing a leading role in JCRR from its inception up to the present day. At China-United States Agricultural Mission (see below) during the preparation for JCRR's foundation, he was an associate spokesman for the Chinese; after the foundation he became one of three Chinese commissioners of the JCRR (two others were Americans), and after the death of Dr. Chiang Mon-lin up until the present day he has been serving as JCRR chairman. After aid from the United States came to an end in 1965, JCRR seems to have stood at a turning point. On this occasion, as a man on the scene who can best review the past and look into the future, after the death of Dr. Chiang Mon-lin, it seems there is no person more ideally suitable than Dr. Shen.

In a sense, it may be said that the course the author had followed in the past was a course leading to agricultural cooperation between Nationalist China and the United States. He specialized in plant breeding science at Cornell University in the United States, returned to his motherland and became a professor of Nanking Uni-