

## **J-Economy, J-Corporation and J-Power since 1990**

From Mutual Gain to Neoliberal Redistribution

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### **Foreword**

The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.

(Antonio Gramsci, *Prison Notebooks*, [1930] 2011, 34)

One term often used to describe perceived particularities of Japan or related phenomena in its society and economy is 'hybrid'. Japan is characterised as inhabiting both tradition and modernity, old and new, East and West, nature and culture. In this discourse, Toyota's Hybrid Electric Vehicle (HEV) does not appear. But combining a gasoline-fueled combustion engine with an electric motor and mass producing, this propulsion system has helped Japan's leading company, Toyota Motors, to gain a green image while expanding its production and sales of cars and ascending to the rank of the largest automotive manufacturer in the 2000s. Obviously, hybrids bridge things that are supposed to stay discrete or even replace each other as an outcome of transition. By joining supposedly contradictory elements, advantages of both sides are made to complement each other and disadvantages are minimised. One could call this by another buzzword, that is, synergy, which is used in business to justify extremely high transaction prices of acquiring corporations or their business and technologies. But rather than generating something new, hybrids serve to smooth, bolster and absorb the destructive energies of fundamental transition. Therefore, incumbents are inclined to give preference to them in order to maintain the status quo, when responding to transitional pressures or challenges by new players. As such, hybrids appear as a conservative technique of defence, obstructing and slowing down transition, but finally being overrun by it (Suarez et al. 2018).

Notoriously, in both specialised and popular international discourse, Japan's economy and the management system of its corporations are not regarded as vital anymore. Yet, this book seeks to track the evolving state of Japan's economy, corporate organisations and electric power industry since the early '90s. Normally, sketches of states have shorter half-lives than developmental histories or conceptualizations that provide a consistent narrative, not limited to a single subject or particular situation, but generally applicable to several subjects and situations. However, sketches

of states may highlight energies and the potential directions in which they may be released. Such states are a consequence of how actors – entangled in contradictions – perform and think, thereby mutually dissolving the very state that holds them together. This book sets out to trace some of these contradictions in Japan's economy and large corporations. It is based on empirical material and theoretical models that the author has used in his work as an academic teacher, researcher and consultant in Japan since the early '90s. Leaning on official statistics as empirical reference, as this book does, means to work with sets of data that are intentionally created, defined by the power relations and interests of those involved in their creation (Velleman 2008). But such systematic interest-driven filtering is not without its own consistency. It allows to discover trends in the data without constantly identifying the subjective factor or, to the contrary, naïvely believing that data objectively represent an exterior reality. The intention is to provide neither another empirical case for reconfirming general assumptions nor another comprehensive description; it is rather to look for critical configurations and a meaningful pattern of interpretation that would benefit both interested observers and those involved in the very processes and discourses (Flyvberg 2006).

Theories are sense-making frames, tools to generate meaning and to justify knowledge through reasoning back and forth between deduction, induction and abduction (Mantere, Ketokivi 2013). Actually, they cast more shadow than light when employed to describe organised action in economies and business merely as purpose-rational or socially indifferent (Pettigrew et al. 2002, 11-5). How organisations as well as their individual and collective constituents act can only be observed retrospectively in view of patterns and consequences, and these consequences are to be interpreted as a contradictory process rather than the result of deductively anticipated and empirically verified action. Action is to be conceived as entangled in conflicting interests, patterns of behaviour and structures (Pettigrew et al. 2002, 15-6). Only then variables of corporate strategies – i.e. governance and cultural models – become apparent and zones of social intervention can be determined. In other words, any theoretical representation falls short when faced with practice, unless the values and orientations of the actors are exposed and questioned (Nooteboom 2000). How contradictions unfold depends on the behaviour of organised subjects and their interaction in concrete circumstances. These subjects react to their environment neither in a blind and mechanical nor in an exclusively purpose-rational way. They create their circumstances by justifying their thoughts and actions against others as well as themselves. It takes a look at the concrete historical situation to understand the inner contradictions of the actors themselves, the coexistence and opposition of old and new thinking and acting. There are, of course, different ideas on how the future may look like and should be designed. But the question arises whether organised

actors such as corporations are able to create the new by transforming themselves, as they are imprisoned in the iron cage of structures and powerful interests, reproducing incremental optimisation and hierarchical cooperation. There are exceptions to the supposed rule, i.e. single examples of creating futures. Such actors may prompt others to cooperate and pave the way for a non-linear dynamic of innovation (van de Ven, Garud 1989), through bootstrapping (Sabel 1995), rule violation and mimesis (Ortmann 2003). But conservative corporations and efforts to protect their interest under the label of neoliberal reform are predominating. Consequently, the guiding questions for a critical inquiry are: what are the costs of maintaining structures that protect the incumbents and their dominant positions, and where do alternatives arise?

Even after more than two decades of deflationary stagnation, Japan's economy is still big. About one tenth of the world's largest companies have their headquarter in Japan. But, Japan's economy and the management system of its corporations are rarely discussed and if so, then often as a once hailed economic superpower and strategic benchmark of Post-Fordist management, that has been in continuous decline since the early '90s, and as an example of insufficient compliance to neoliberalist structural policies. Against such stereotypical perception, this book demonstrates that the problems of Japan's economy and corporations are more of a universal nature, that is, a kind of forefront experience that provides important lessons for actors inside and outside of Japan. Countering the discourse of lost decades, this book argues for a sustained institutional engagement with the study of Japan's economy and management system. Methodologically, it takes a comprehensive and interdisciplinary approach, interrelating primarily the perspectives of political economy, management and corporate culture; juxtaposing mainstream English-language theories with Japanese-language research and local particularities of Japan's management system with so-called global standards; contrasting theoretical propositions with rich empirical data and exemplifying this in a case study on the business model and governance system in the Japanese electric power industry.

The book addresses three aspects: J-Economy, J-Corporation and J-Power. Accordingly, chapter 1 draws a macro-scale picture of economic change since 1990, which provides the framework for the transformation of Japan's traditional management system. Chapter 2 takes a closer look at changes in corporate governance and management system; and chapter 3 consists of a case study on Japan's electric power industry. The first chapter proceeds from a review of influential macro-analyses with a special focus on proponents who are critical about the current course of Japan (Werner 2005; Koo 2003, 2009, 2015; Vogel 2006; Aoki 2000, 2007) - based on mainstream concepts of supply (Lincoln 2001) and demand-side economics (Krugman 2013; Posen 1998). These proponents often utilise the Japanese case to confirm their own theoretical model,

sometimes even against empirical evidence. In this book, Olson's political economy (1965, 1982, 1985, 1993) and other propositions are augmented with recent accounts and empirical evidence generated by Japanese researchers such as Miyazaki (1992, 1995), Mizuno (2014, 2016), Takahashi (2015) and Iwai (2005, 2009) as well as the Author drawing attention to the limits of the traditional (industrial) growth regime in Japan and to the challenges that arise from the importance of knowledge production and social inequality. The second chapter links the macro-perspective to a micro-level perspective and provides empirical evidence in support of the Author's central argument that large corporations and their stakeholders deserve more attention as actors than government and central bank, whose role has often been overrated in Japan-related political and academic discourse. As an alternative to the alleged global standard in corporate governance and corporate culture, this book emphasises the importance of a balanced stakeholder system and a participative corporate culture, that is, to go beyond the prevailing concept of corporate social responsibility (CSR) and enhance innovation by promoting participation inside and a future-orientated mission outside the corporation. Conjoining arguments of chapters 1 and 2, chapter 3 consists of a comprehensive investigation of the Japanese electric power industry. After an analysis of the power relations between the main players and the consequences of the current centralised system, including the causes and costs of the Fukushima nuclear disaster, chances for a shift towards a decentralised system based on renewable energies are discussed.

## Conventions

In contrast to Japanese publications, Japanese personal names are indicated in accordance with Western custom, that is, with the surname following the first name. The transcription of Japanese words is based on the revised English Hepburn system. In line with the manuscript style of the publisher, macrons are used throughout also for familiar place names. The titles of Japanese references are indicated in Romanised form only, due to space constraints. Full names of ministries, organisations and others are mentioned the first time they appear and in abbreviation in subsequent appearances. Unless otherwise indicated, the cited daily newspapers refer to the national morning or daily editions. Data are given for either the calendar year (CY) or the fiscal year (FY). The latter begins on 1 April and ends on 31 March of the following calendar year (CY).