

land. As a result of the land reforms, the owner-farmer became the mainstay of Japanese agriculture. A direct result of the land reform was that the proportion of total agricultural land utilized by tenant farmers was decreased from about 50% to 10%.

The American occupation also brought about the trade union movement. In 1945, the number of workers associated with the trade union movement was minuscule. In a span of three years, due to the encouragement of occupation authorities in the name of democracy, 60% of the workers in Japan became members of trade unions. Although most of the unions were organized on company lines, collective bargaining resulted in higher wages, better working conditions, and the acceptance by management of the career-long employment and seniority wage systems.

While these crucial inputs—dissolution of the *zaibatsu* groups, land reform, and the trade union movement—helped Japan to stagger back to its feet following the devastation caused by its participation and defeat in the war, the road remained rocky. Inflation became endemic, while unemployment was swamping the nation. In order to create jobs, Finance Minister Ishibashi increased fiscal spending, directing funds through the Reconstruction Bank to under-utilized industrial companies to revive production. Reconstruction Bank funds were allocated to the coal industry, and millions of war veterans who were unemployed were recruited as workers. Strict food rationing was imposed. The measures had partial success.

In 1949, Joseph Dodge, head of the Bank of Detroit, came from the United States to advise the occupation forces on how to curb inflation. Dodge imposed strict fiscal and monetary policies and forced the government to balance the budget. The Dodge Line, as it came to be known, killed inflation to a large degree, but caused a severe shortage of funds. Dodge insisted that Japan must not look to the United States for funds, but rather achieve recovery through its own efforts amid free competition.

From 1945 to 1951, Japan went from one economic crisis to another. The Dodge Line, described by some Japanese economists as “bitter medicine for taming inflation,” provoked a serious recession. Many businesses which had depended on government expenditure since the prewar years were plunged into bankruptcy and forced to lay off *en masse*, adding to the multitude of unemployed and nationwide labor unrest.

Organizing the export boom

Amidst this bleak economic scene, the Korean War broke out. The U.S. decision to acquire military procurements, known as “special procurements,” from Japan, provided the economy an infusion of fresh blood. Industries ranging from coal to textiles began to revive. The special procurements, to the tune of \$800 million annually, accounted for two-

thirds of Japan’s total exports at that time. The export earnings helped Japan to import and build up its capital-intensive industries.

A series of measures followed the beginning of the export-led economic recovery. Two government-funded banks, the Export-Import Bank of Japan and the Japan Development Bank, were set up in 1951. The first was to handle deferred export payments and the second was to supply gov-

Labor-management relations vital to Japan’s economy

Japan had a minuscule labor movement at the time the war in the Pacific ended. Following defeat, Japan was in shambles. There were immense shortages of food and clothing, and runaway inflation was pauperizing the citizenry. Under these circumstances, Japanese workers formed trade unions to defend their interests amid violent nationwide demonstrations. The most powerful union, the Sanbetsu Labor Federation, was led by the Japanese Communist Party.

Following the political dogma of the JCP, the Sanbetsu demanded revolution and complete control over the production centers. A series of violent clashes ensued, of which the Yomiuri Shimbun strike of 1945 and the Toho Motion Picture studio strike of 1946 were the most notable. A number of other strikes, such as that by electric machinery workers, employees of Japan National Railways, the seamen’s union, the steelworkers’ union, and the coal miners’ union brought the country to its knees. When a call for a nationwide strike on March 1, 1947 was given, the American occupation forces threatened the unions by putting tanks on the streets.

The concept of democratization began to take shape following the birth of the Ministry of Labor, which formed laws and systems to regulate labor relations. A new national labor center was born in the form of Sohyo (the General Council of Trade Unions), which campaigned against the JCP’s domination of the labor unions and its policy of violent revolution, and advocated creation of a free and democratic labor union movement.

With the Korean War and the subsequent boom to the economy, the Sanbetsu collapsed, giving way to the Shin Sanbetsu (National Federation of Industrial Organizations). It seemed at that point that Soyo and Shin Sanbetsu

ernment funds to strategic industries as long-term, low-interest loans. According to Takafusha Nakamura, former professor at the University of Tokyo and former director-general of the Economic Planning Agency's Economic Research Institute: "At the time, four industries were treated as strategic: electric power, coal, shipping, and steel. Electric power and coal were needed because energy shortages were hindering reconstruction, and shipping had to be helped because Ja-

pan's merchant marine had been almost totally destroyed by the war. The reason for giving steel preferential treatment was the urgent need to boost capacity—and to introduce Western steel-making technology—to meet the rising demand for steel caused by the economy's recovery. The priority assigned to these four industries is evidence that policy-makers planned to replace Japan's industrial structure, which was centered on light industry, with a structure featuring

would lead a free and democratic labor movement, but in 1951, when Japan signed the San Francisco Peace Treaty and Security Pact with the United States, the Sohyo turned leftwards, attacking the treaties (as they say in Japan: "The hen turned into a duck"). Soon the labor unions began to leave Sohyo *en masse* to form Zenro (which later became Domei), and the trade union movement was once again polarized between leftists and rightists.

Even in these difficult times, however, a distinct current emerged within the labor unions advocating productivity and elimination of political ideology in labor struggles. The concept of a labor movement that is "economically motivated" came to the fore and asserted itself within the four parallel labor confederations—the Sohyo, Domei, Churitsu Roren (a neutral union), and Shin Sanbetsu.

Exhausted by confrontation, both management and labor agreed to stabilize labor relations in the mid-1950s. Earlier, a number of strikes had crippled industry, and many businesses had lost their competitive edge as a result of labor problems.

The new labor-management relations, the cornerstone of Japan's fast growth, saw management agreeing to maintain career-long employment, seniority-based wages, enterprise unions, and equality in wages and work.

In subsequent years, Japan's trade unions have gone through mergers and changes, but labor stability has prevailed. A number of changes brought about by the dual structure theory have also changed the nature of the labor unions. The Metalworkers Union, which became the core of the labor movement in the 1960s and 1970s, began gathering the support of private labor unions to form a labor federation in the early 1980s. On Dec. 14, 1982, they formed the National Council of Private Unions (Zen Nihon Minkan Roso Kyogikai) with 425,000 members. In 1987, the movement gained further ground when the neutral Churitsu Roren and Domei were dissolved and merged into the National Federation of Private Labor (Zen Nihon Minkan Roso Rengokai). In 1988, the old Shin Sanbetsu, and in 1989, Sohyo, too, were disbanded, clearing the way for establishment of a General Confederation

of Japan Labor Unions (Nihon Roso So Rengokai), 8 million strong, into which the government workers union will also be absorbed.

Under the current career-long employment system, employees are promoted by both seniority and merit to higher wage categories. A new recruit expects his wages to be doubled by the time he is 35 years old and tripled by the time he is 50. To help ensure stable living standards, wage levels also take into account personal circumstances and needs. Thus, men are generally paid most when their family expenses, especially for education, are expected to be heaviest. The gap between the wages paid to high school graduates and university graduates is very slight and widens only with age. But even at the age of 35, when the gap reaches its peak, wages for most high school graduates are about 60-80% of those for university graduates.

Today, income differentials between managers and workers and between white-collar and blue-collar workers are much smaller than in almost any other country. Compensation for workers or managers usually does not change even if they are transferred, as they are working for the same company. Supervisors are not necessarily paid much more than their subordinates and, in fact, they are often paid less than their senior subordinates. This income system is another factor in creating a sense of unity.

Enterprise unions are a unique feature of Japan's labor-management equation and are composed of employees working for a single employer at a single location, for example, in the small industry sector. They are both a product of and a means for many structural reforms, such as the unity between white-collar and blue-collar workers, equitable wage distribution, merit-based promotion from within a company, and fewer status barriers between managers and workers. Most importantly, the enterprise unions, organized as they are in the thousands of ancillary units tied to the large companies, bring all of the company's employees together in helping the company to deal with the continuous changes in technology and the market.