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Japanese Deregulation: Big Corporations are Destroying People's Lives

An Interview with Uchihashi Katsuto

Translated by Aaron Skabelund

Uchihashi Katsuto, born in 1932, is a prominent economic, political and social commentator and the author of seventy books including his eight volume collected works. He was interviewed by Okamoto Atsushi, the editor of Sekai (World). This is a slightly abbreviated version of an article that appeared in Sekai (World) in March 2007.

Uchihashi Katsuto

"A Diversity of Work"

Okamoto: During the regular session of the Diet that began on 25 January 2007, various deregulatory changes that would weaken labor laws were proposed. What kind of ideology is behind these proposals? A few weeks earlier on 1 January, Keidanren chairman Mitarai Fujio announced proposals similar to those introduced in the Diet. Just what is the business community thinking?

Uchihashi: Both moves are two sides of the same coin. In short, the "freedom to cause to work" is expanded and the "freedom to work" decreases.

In many countries, employment conditions, such as social insurance, are determined by regular employment and are thought be to the rights of working people. These rights serve as a premise that work is based on each individual's circumstances. In short, work is dictated by an individual's personal choices. For example, some people might choose to work part-time rather than full-time. Of course, the ability to make these choices is the result of past labor struggles, and today, in the face of various pressures, such as competition, globalization, and market forces, these rights have widespread support in many countries.

In the case of Japan, the terms "employment choice" and a "diversity of work patterns" have been used in academia since Sakaiya Taichi described an "age of employment choice" and, more recently, when Yashiro Naohiro, a member of the Council on Economic and Fiscal Policy, captured the desire of the business community for an age of the "diversification of work patterns."

Even though a "diversity of work" can be achieved only when major corporations fully fulfill their employment responsibilities to provide regular employees with certain rights and guarantees, if employers force workers to labor without these rights, then the "age of employment choice" and the "diversification of work" patterns become unforgivable deceptions. To put it more aptly, such a system becomes nothing more than the "diversification of forced work patterns."

I call these dominant voices—like those of Mitarai, Sakaiya, and Yashiro—authoritative opinion (*kenron*). It exerts control over society and overshadows the opinions of regular people (*minron*), which is often at odds with authoritative opinion. Those with authority generally define all the terms and conditions of debate concerning social and political issues. As a result, people are easily tricked about labor issues. People often misunderstand the "age of employment choice" to mean freedom to choose their careers and a diversity of values. Another example of how dominant voices determine and define the discussion is the "labor big bang." Just as the Bill to Encourage Self-Reliance of Handicapped People is actually a Bill for the Destruction of Handicapped People, the Bill for the Protection of Contract Laborers is nothing more than a Bill for the Destruction of Contract Laborers. The language they use is simply fraudulent. Many intellectuals in Japan have sided with authoritative opinion, and they contribute to the aggressive domination of debates about labor issues.

This is true in discussions about the economy, too. Some people have argued that "without reforms recovery is impossible," but regardless of the extent of reforms, the economic reforms implemented have brought not growth "greater than Izanagi" but "empty economic conditions." Izanagi refers to the 57 month growth period from February 1965 until July 1960, whereas the most recent "economic recovery" lasted 58 months from February 2002 until November 2006. During the Izanagi period, GDP grew at a rate of 2.2 percent and incomes truly increased, while during the recent recovery the GDP grew at a rate of 1.04 percent.

Okamoto: Not much has changed, has it?

Uchihashi: Ota Hiroko, Minister of Economic and Fiscal Policy, claims the economy is improving and that growth is greater than in the Izanagi period. If that is the case, the Bank of Japan should have raised interest rates, but instead it is vigilantly suppressing them. The first measurement of the recent "economic recovery" took place at the end of the first quarter of 2003. The profit of some corporations was 72 percent. When these companies are further narrowed to just major manufacturing companies, profits rose to 105 percent. This equaled a 27 percent increase over 2004. In comparison, the increase in sales in the third quarter of 2003 was just 1.2 percent and only 1.9 percent the year before.

If sales are not increasing, why are profits soaring? The most important reason is that in certain ways the "freedom to force people to work" increased dramatically during this period. What made this possible was pointed out, ironically, by neo-liberal commentators who argued that "employment will rise if it becomes easier to fire workers." The logic was that jobs would increase if employers had greater control over labor resources, which was false.

These issues are related to the question of how to sufficiently satisfy the demand for workers. Recent trends in Japan represent an attempt to commodify labor by decreasing the total cost of labor as much as possible by making human resource expenses a flexible cost rather than a fixed one. Such a step requires legal changes that transfer the jurisdiction of workplaces from labor law to civil and commercial law.

Council on Economic and Fiscal Policy advisor Yashiro had the following to say in a recent issue of the Economist: "We have entered a period when it is impossible to protect employment through the tightening of regulations." I don't think these are the words of a scholar. No one has suggested that employment will increase if we return regulations to those in the past. This is a familiar ploy of misrepresenting the opposing argument and manipulating it to make a false claim.

Currently there are four types of workers at high-tech factories. The first are regular employees. All of the others are non-regular employees, which can be divided into three types: 1) part-time and temp workers, 2) contract workers, and 3) quasi-independent self-employed workers who enter contracts for individual orders. Corporations can say, "If we don't have any work after tomorrow, we don't need you. That makes sense, doesn't it? After all you are just an independent, self-employed worker." This practice is a precise emulation of New Zealand's long-standing Labor Contract Law. These labor contract regulations force weak individuals to deal one-on-one with powerful companies.

Those organizations that claim to be private—the Council on Economic and Fiscal Policy, the Office for the Promotion of Regulatory Reform, and Keidanren—have a tight grip over authoritative opinion. These organizations use various tricks to manipulate overall trends and influence the opinion of regular people. Their position is aptly represented by the vision of Keidanren chairman Mitarai [who is also the president of Canon]. Mitarai's vision is the Japanese version of the "Chicago boys." He spent 23 years in the United States and is a disciple of Milton Friedman, whose ideas caused Latin America to go completely bankrupt.

Mita

Mitarai Fujio

Changes in the Bureaucracy and the Expansion of Keidanren's Power

Okamoto: As exemplified by Mitarai, the government is closely tied to organizations such as Keidanren that represent the interests of major corporations. Does this represent the closest relationship between government and business in the last 50 years?

Uchihashi: The context for the tight connection between government and business is a change in the nature of the bureaucracy. The Japanese bureaucracy has never been a Weberian modern bureaucracy, but a familial (*kasan*) system. Even so, bureaucrats have maintained a level of relative neutrality.

After the collapse of the bubble economy, the iron triangle between the ruling government, bureaucrats, and business was pilloried. During the Koizumi administration, the prime minister called for the subjugation of the bureaucracy. This too was a trick pulled off by manipulating dislike for the bureaucracy. What resulted? Within just a few years, what few elements there were of a modern bureaucracy were destroyed and the familial tendencies became even stronger. This development illustrated the real nature of the so-called Koizumi structural reforms.

When familial elements were really strong, there were bureaucrats who thought about what truly was in the public interest. For example, when Sahashi Shigeru, who was called "Regimental Commander Sahashi," was a top official in the Ministry of Trade and Industry, bureaucrats thought about Japan's national interest and rejected all international demands that Japan liberalize its policies to allow in American automobile imports.

This policy had both merits and demerits, but if Sahashi had not done this, perhaps the liberalization of the auto market might have begun as early as the second half of the 1960s. If that had been the case, Toyota surely would not be what it is today. Toyota's rise to its current position is thanks to what Shiroyama Saburo called the "summer of the bureaucrats." Bureaucrats like Sahashi have disappeared and we now have returned to the days of bureaucrats who are wagged by the tail of the government.

In turn, the business community, led by Keidanren, holds sway over the government. The result is made clear by the resurrection of political contributions that allow companies to make political donations even if over 50 percent of their shares are foreign-owned. Mitarai's vision is truly reflected by the current Abe administration and is essentially its slogan.

To illustrate the "nightmare of deregulation," I would like to recall its origins, an announcement by Keidanren, "An Analysis of the Economic Effects of Deregulation and Employment Policies" on 15 November 1994, and one by the Japan Association of Corporate Executives (Keizai doyukai), "A Request Concerning Deregulation" announced the following day. Reading them once again twelve years later is extremely revealing.

To introduce one example, these reports estimated that structural adjustments and deregulation could possibly lead to the loss of over 9 million jobs but would create 10 million jobs. In short, the reports forecast a net increase of 1.3 million jobs. Miyauchi Yoshihiko, director of the Office for the Promotion of Regulatory Reform, and others promoted deregulation based on these ideas, but if one compares the pace of reform with these forecasts, it is almost comical.

At that time, the Ministry of Labor and others strongly asserted that managerial reforms were necessary. I objected that this would hamper the work of the Labor Standards Supervision Office and allow companies to do whatever they wanted. Ultimately, however, Ministry of Labor bureaucrats, too, were influenced by authoritative opinion and abandoned their proposals.

The Koizumi reforms did not change the essential character of the bureaucracy and allowed Keidanren to run rampant. Keidanren is surely the arbiter of authoritative opinion. If one analyzes Mitarai's vision in this context, then many things become clear. Keidanren is guiding the government by ranking government policies according to its business priorities and then suggesting to companies the target and size of political contributions. Should corporations that don't have the right to vote be allowed to exercise much more power than voters? The bureaucracy is not acting as a check to the current government but supporting greater deregulation. Japan is the best example of a modern state in which the bureaucracy is dysfunctional.

Okamoto: The trends of deregulation seem to be leading to the privatization of all publicly shared capital. The entire public sphere is increasingly controlled by

private interests. Keidanren and others have begun to talk about private interests as if they represented the public good. That seems to be one of the main reasons why this is becoming such a difficult society in which to live.

Uchihashi: That's right. The basis of representative government is politicians who should look after basic human interests such as life, work, and housing. Private profit is "private corporate profit." Once it was "from bureaucrats to the people", but now we have the "corporate privatization of the public." Things will go precisely in this way if common public capital, such as beautiful scenery, pure air, water, and education become a means for private corporate profit. This is what Friedman called privileging the market. The corporate privatization of the public sphere is a trick. It disguises the pursuit of profit for massive, private corporations as good for the public. These steps help accomplish Mitarai's vision and are being done with the support of the government.

The Neo-Liberal Cycle

Okamoto: The future seems uncertain as corporate power grows and the power of the people shrinks. With reference to developments in Latin America, how would you explain recent economic developments in Japan?

Uchihashi: The Bank of Japan clings to an outdated theory of economic cycles, which is a big problem. The bank believes that if the performance of major companies improves, then this will help middle and small sized companies and through salary increases individual incomes will rise through a trickle-down effect. If this occurs, the bank announced in a "Forecast Report" (t*enbo ripoto*), then there will not only be balance between supply and demand, but demand will exceed supply. For this reason, they postponed announcing that Japan has "escaped deflation." When they continued to stick to this view in October, I argued on the radio and through other media that their policies were incorrect.
What will happen if things continue in this manner? If we seek to explain these trends using a neo-liberal circular model that describes a "nightmarish cycle," perhaps Japan has already entered an economic cycle premised on bottom-line capitalism or a new system based on globalization.

Currently, Japanese corporations earns about 50 billion yen a year in the international economy. About one third of this total is earned by 10 companies, which include Toyota, Canon, and Sony. The top 30 companies bring in about half of the total. The top 100 companies account for about 90 percent. This means that of the 1600 companies listed on the Tokyo stock market, a mere 100 are making most of the money. One lone company, Toyota, continues to earn unprecedented profits.
Where do these profits come from? About 80 percent come from overseas exports. The domestic market accounts for 20 percent. Therefore, for the top 30 companies, it does not really matter if the domestic market recovers.

In the past if there was a long recession, companies would attempt to stimulate a recovery of the domestic market and increase market share. Increased wages were seen as a way to boost consumer spending. Because companies were engaged in this cycle, they could claim that "corporate prosperity benefits the people of the nation." Corporate management once thought that if society prospered then the company would also prosper. This was the case for Toyota, too.

Toyoto Corporate Headquarters, Toyota City

But it is no longer the case. No matter how poor the domestic market gets, these companies continue to rake in money. Such a situation might be remedied if these companies were paying corporate taxes on their profits but this is not the case. Normally companies play corporate taxes of about 5 percent, but these top companies dedicated to exports only pay about 1 percent. There is a debate about whether corporate taxes of 4 percent are too high or low, but in fact these companies benefit from special privileges that allow them to avoid paying anything close to that. The late Socialist politician, Kubo Wataru, who later served as Minister of Finance during the LDP-Socialist-Sakigake coalition government, asked during a Diet session how much Toyota Motor Company actually pays in taxes. The minister at the time said that the information was a corporate secret so he could not disclose it. Many companies like Toyota that focus on exporting their products benefit from a wide variety of special tax exemptions and other deductions, whose total extent is unclear. If someone were to repeat this question in the Diet now, probably no one could come up with a reliable answer. Indeed, Japan may have the lowest effective tax rate in the world.

What is International Competitiveness?

During this year's spring labor offensive (*shunto*), in response to union demands that companies raise wages because the economy has improved, Mitarai stated that such a step could not be taken easily because of international competition. If a society that protects worker's rights and provides social safety net cannot compete internationally, shouldn't Northern European countries be losing? Japanese companies are receiving all of these special privileges in the name of international competitiveness, but this is not the path to true competitiveness. Rather, in some ways, it is a path that causes Japan to fall even further behind the global competition. It all depends on how you define global competitiveness.

One often hears the following: The top ten companies as ranked by the World Economic Forum held each year in Davos are consistently in Northern Europe. Finnish companies are always at the top. This is because the measure for competitiveness is different. At the same time as the forum, anti-globalization citizen groups gather at a World Social Forum. But even the World Economic Forum evaluates countries by three criteria—the consistency of the macro-economic policies, whether their public policies are functioning properly or not, and their technology. And Finland comes out on top.
In contrast, the Japanese business and economic leaders only talk about international competitiveness in terms of price advantage. Price competitiveness only encompasses a portion of the true meaning of competitiveness, such as product and labor competitiveness.

I was surprised when, for an NHK Niigata regional bureau special program, I met the president of a small regional company that had received an order for printing

devices from the Finnish company Nokia. When a Nokia representative visited the company, he said, “There are certain conditions that must be met for our company to enter into a cooperative relationship with you. Please answer the following questions.” His first question was “Do you know where your final disposal facility for emissions is?” Next he asked about the location of the dormitory for single employees and upon learning that it was on Sado Island, he visited the dormitory to check whether there was sufficient living space for each employee. It was necessary for this company to clear all of these conditions in order to enter a cooperative relationship. Sustainable competitiveness does not simply mean price competitiveness. Even if companies repeatedly lower their prices, it is impossible for them to reduce costs to zero. Sustainable competitiveness depends on human skills. And the development of human skills is contingent on the education system.

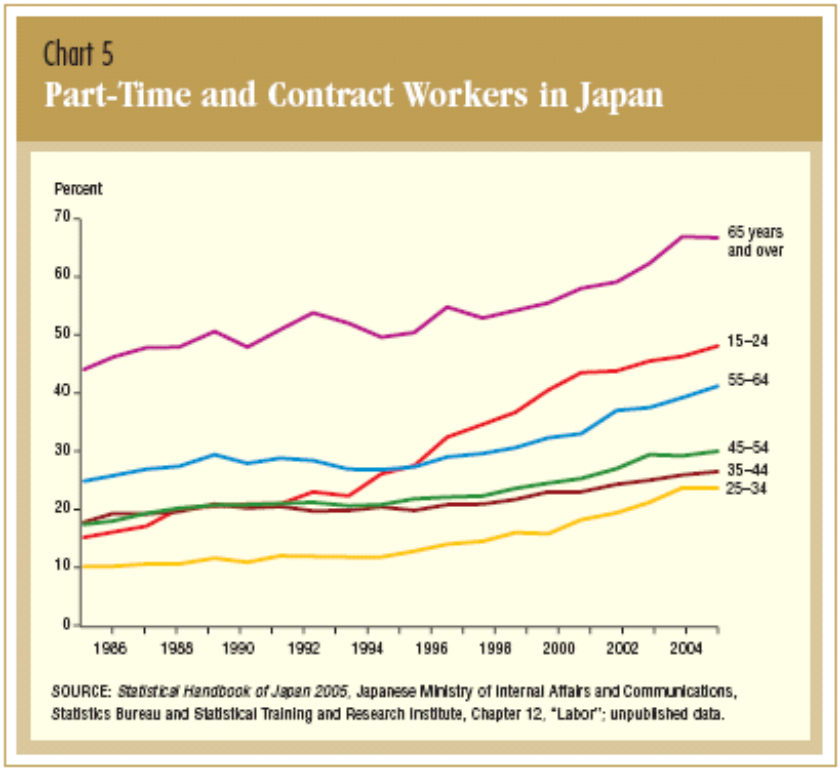
The decline in competitiveness of Japan’s electronics industry is so severe that even the Nikkei newspaper has recognized this situation. When I wrote about the “Illusion of Japan as a ‘Top Technological Country,’” critics claimed that Japanese technology was superior to Europe’s. But that was an illusion. Because many Japanese companies have only invested in facilities production based on the premise of increasing mass production and mass consumption, they remain at the same level of productive capacity. If they had built factories to actually increase their technical capacity, they might be more competitive. After the economic bubble burst, the phenomenon of hollowing out of high-tech factories appeared across the country.

Where Labor is Being Commodified

Okamoto: Japanese companies, like American companies that are promoting globalization, have a problem with fraudulent contracts.

Uchihashi: Right now, major Japanese corporations are engaged in destroying humanity. Japanese global corporations are engaged in fraudulent employment contracts. In Japanese factories, hierarchal stratification persists and managers are now able to mobilize workers without even dealing with employment issues. Through subcontracting, managers are able to pass costs down to subcontractors below, and as a result, their workers become increasingly vulnerable. A similar hierarchal situation exists in the contractor labor market, and a number of industrial accidents have occurred involving companies using workers hired by subcontractors three levels below. Lately, there have been a number of incidents of “industrial accident shuffling.” For example, in the case of Sharp’s Kameyama factory, top executives did not want global investors to know that an accident had occurred at a high-tech factory, so they claimed it happened at a different location. It should have been designated as an industrial accident, but because the victims were workers contracted by a third-tier contractor, no one wanted to take responsibility.

Just how many human lives have been destroyed since the hiring of contract workers was permitted in 2004? Companies have completely embraced the system of contract workers, and have passed the costs on so that at the very bottom subcontractors employ what are called “on-call workers” (sometimes referred to as “one-call workers”), who often have not been properly trained. Subcontractors will find workers in regions with high unemployment such as Akita or Aomori and send them to areas with high labor demand such as Aichi (the location of Toyota’s headquarters). People are being turned into commodities and this system is similar to the slave ships of old.



The growing number of contract workers in Japan

Individual contracts are the most despicable aspect of this system. Companies use these contracts to cut costs normally incurred by guaranteeing the basic rights of workers. Losses are born by individuals rather than by companies. The only way to correct this is for the Labor Standards Supervision Office to increase enforcement. Under these conditions, Keidanren is promoting the rise of foreign and immigrant workers. If more foreign workers come to Japan, their children will need to be educated and those costs will be passed onto the public.

There is also the problem of foreign workers being employed under the pretext of internships. This issue received some attention after Chinese interns committed murder, but the working and living conditions endured by foreign workers are extremely harsh. At textile factories in places such as Gifu, workers make 15,000 yen (less than $150 dollars) per month (and usually send about two-thirds of that home). It is only through employing foreign workers that these companies make money. One company that produces cheap clothing through subcontracting puts all of its Chinese interns into dormitories for single people and transports them to work in a microbus to avoid having them recruited by other companies. They have them work at one factory for 5 hours, at another for 2 hours, and a third for an hour. There are also workers who are forced to work at multiple factories on the same day.
In this way, major corporations are destroying the lives of workers. “Industrial accident shuffling” is one example of this. Corporate executives cut costs and avoid employment responsibilities any way possible and expose workers to risks in the pursuit of unprecedented profits. Such a system is highly unlikely to be sustainable.

We are barreling toward a system where global corporations prosper and societies crumble.

Toward an American Future for Japanese Workers?

Okamoto: If things continue in this way, income disparity and poverty will surely increase and Japan will become like America. The vast majority of Americans fighting in Iraq are members of the underclass. In addition, Mitarai's vision seems to have spread to the debate about revising the constitution. Japanese conservatives promote revising the constitution, transforming the SDF into a full-fledged military, dispatching troops overseas, and entering into a collective self-defense arrangement. Furthermore, they argue that greater patriotism is necessary and seek to force respect for the national flag and anthem. Does Keidanren back the greater militarization of Japan and sending the poor off to war?

Uchihashi: Social mobility in America is contingent on academic credentials so one who is without such a resume will probably be a permanent member of the working poor. Therefore, the children of immigrants join the army in order to obtain scholarships to community scholarships and to quickly obtain citizenship. Film director Michael Moore has reported that there is a high correlation between the American soldiers who have died in Iraq and area where a high percentage of the population receives free school lunches. There is, indeed, a disparity in people's probability of survival.
The prospects for Japan are similar. In England, the Thatcher government promoted "small government" in financial terms, but in terms of authority it became a "big government." Japan is implementing various policies, such as private financial initiatives, market tests, and competitive bidding for school lunches. Japanese leaders claim they are aiming for a small government, but the more they liberalize and deregulate and embrace market fundamentalism, the more the central government will have to increase its power in order to preserve order. High-technology factories, which companies created through huge investments, could collapse anytime. They surely want to prevent this from happening.

Liberalizing the market will definitely lead to the destruction of public institutions. An apt example is the banking industry, which is mired in the loan shark consumer loan business. If the principles supporting public institutions dissipate, the government will become anxious about social order that depends on the health of companies and greater government control will become necessary. Government control always follows liberalization. We are mistaken if we think that there will be greater freedom as a result of deregulation and liberalization.

Aaron Skabelund is Assistant Professor of History, Brigham Young University. His book, Inu no teikoku: Bakumatsu Nippon kara gendai made (Empire of Dogs: From Bakumatsu Nippon to the Present), tr. Motohashi Tetsuya is in press at Iwanami Shoten.

His article "Can the Subaltern Bark? Imperialism, Civilization, and Canine Cultures in Nineteenth-Century Japan," appeared in JAPANimals: History and Culture in Japan's Animal Life, ed. Gregory M. Pflugfelder and Brett L. Walker.

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