Editorial

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The theme for the Economics and Economic History section at the 11th EAJS conference held in Vienna, Austria, in 2005 was ‘Beyond Developmental Capitalism: Policy, Institutional and Technical Changes in Japan’. The articles in this Special Issue consist of papers selected from among those presented at this conference. We invited authors of particularly promising papers to submit their work to this Special Issue, and all articles underwent an anonymous peer review and revision process before being accepted for publication.

A broad question raised during many presentations was whether Japan follows — or should follow — its own independent developmental path or whether it is subject to pressures towards convergence on global policies and practices. In short, is Japan moving beyond ‘developmental capitalism’? In addressing this question, the contributions to this Special Issue approach this issue on different analytical levels and using various methodological approaches. Two articles broadly address Japan’s economic and institutional change.

In ‘Growth and Structural Change in the Japanese Economy 1985–2000: An Input–Output Analysis’, Franz Waldenberger analyzes structural change in the Japanese economy between 1985 and 2000 from a macroeconomic viewpoint. He finds that the pace of structural change on the aggregated GDP level was roughly the same in the high-growth period of the 1980s and the low-growth period of the 1990s. Furthermore, exports and imports do not appear to have affected the amount of structural change on the macroeconomic level. The author identifies the strong growth of service industries as the main source of structural change, which expressed itself as a lowering degree of vertical integration in the Japanese business sector. Another major development is the growing exposure of the domestic economy to international competition, forcing Japanese companies to relocate and reorganize the way they conduct business.

David Chiavacci points out in his paper, ‘The Social Basis of Developmental Capitalism in Japan: From Postwar Mobilization to Current Stress Symptoms and Future Disintegration’, that Japan’s rapid post-war development and the high growth of its economy were strongly founded on broader societal factors, which he labels the ‘social basis of developmental capitalism’. In the 1960s and early 1970s, a policy of relative income equality that made growth-oriented economic policy attractive for most Japanese, especially the predominant rural population, was pursued. With the rise of the urban population, the later phase of the late 1970s and 1980s institutionalized a ‘Japanese way of life’ based on peaceful industrial relations and a family model with strongly distinctive

gender roles. From the 1990s, this social base came under new pressures in the wake of sluggish economic growth, shifts in the demographic characteristic of Japan and the internationalization of society. The author suggests addressing these issues may ultimately demand a more open composition of Japan's elite to include Japan's middle class or a redefinition of national self-identity that would encompass the East Asian region.

The other three articles in this Special Issue deal with structural change in specific sectors and fields of the Japanese economy. Max Hall, in his paper 'Recent Banking Sector Reforms in Japan: An Assessment', discusses the problems in Japan's banking industry and the government's recent efforts to tackle them. He implicitly argues that the 'main bank' system must give way to market efficiency and cost-effectiveness forces in order to achieve reform in the banking sector. The measures he proposes are broad in scope and include the creation of a new financial architecture, the reform of safety net arrangements, a more pre-emptive management of banks' problems by the Bank of Japan and changes in corporate governance. Whereas the banking sector's situation has visibly improved, the author concludes that Japanese banking policies and practices should converge on international banking standards in order to compete in the global economy.

Jörg Mahlich analyzes Japanese companies' strategic responses in another sector that has come under strong competitive pressure: the pharmaceutical industry. In his paper on 'The Japanese Pharmaceutical Industry in Transition' he asks whether higher research orientation has resulted in higher market value. In the wake of domestic deregulation and increasing international competition, Japanese pharmaceutical firms have significantly increased investment in the development of new drugs. A statistical analysis of R&D activities reveals that an increase in patents, though not of scientific publications, has resulted in a higher stock value of the corresponding firms. While this trend suggests Japanese pharmaceutical firms are harmonizing their business practices with international standards, ironically they are building this capacity by making considerable investment in intangible capital — that is, leveraging their in-house R&D and marketing capacities. The author argues the bottom-line is whether the domestic and global markets will reward this 'path dependency'.

Fabian Froese and Leif Goeritz take the debate down to the company level of analysis in their article on 'Integration Management of Western Acquisitions in Japan'. They use matched case studies of mergers and acquisitions by foreign companies in Japan to examine the mechanisms at work in mediating between exogenous and endogenous organizational factors, as measured by the degree of 'human integration' and 'organizational integration', respectively. In their case studies of two major cross-border acquisitions and mergers, the authors demonstrate that Japanese firms can be successfully integrated into

multinational firms, but only if sufficient attention is given to human integration issues, such as communication, participation, leadership and commitment. Conversely, organizational integration requires 'loose coupling' with long-standing inter-firm relations. Their study reminds us that understanding such interaction effects is often more interesting than finding the main effects.

Although the five articles in this Special Issue provide only snapshots of structural change in Japan, we believe they constitute a valuable contribution to ongoing discussions about the question of which direction Japan is heading in the medium and long term. Notwithstanding their widely different levels of analysis and methodological approaches, all our authors seem to agree fundamentally that the Japanese economy has recently been undergoing far-reaching changes that seem to converge with trends in the major industrialized countries; but they also uncover that there is still room for divergent solutions to common problems.

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