The worst of both worlds


In that classic scene in the film Casablanca, Claude Rains enters Rick’s Cafe, looks around and exclaims with mock innocence: “I’m shocked, shocked, to find gambling in this establishment,” as an employee walks up to him and says matter-of-factly: “Your winnings, sir.”

It is difficult not to view in a similar vein the revelations of the booming, “Japan-is-different” industry. Author after author seems “shocked, shocked” to discover that Japan is not America, East. Nonetheless, what has been dubbed the “revisionist” school of thought on Japan has become a trendy source of current conventional wisdom in the US. This school argues that Japanese capitalism is different from the brand practised in the US, plays by neoclassicalist, rules, and pursues a kind of collectivist course aimed at enhancing the greater glory of Japan rather than furthering free trade or the interests of the Japanese consumer.

While there are different conclusions as to what this means for the world economy in general and the US in particular, the idea that a system of managed trade is best suited to dealing with this reality is fast gaining adherents in many circles.

The intellectual basis of the current critique of Japan goes back at least to Chalmers Johnson’s 1982 book, Mitzi and the Japanese Miracle. This developed the theory that Japan was a “capitalist development state” (a label equally applied to Singapore, South Korea, Hongkong and Taiwan). The argument has been updated by former US trade negotiator Clyde Prestowitz in his book Trading Places (Review, 16 Feb.) and Karel van Wolferen in his The Enigma of Japanese Power (Review, 15 June) — in the latter case with several new twists added.

James Fallows, who admits to borrowing liberally from these efforts, has become an adherent of the thesis, and has popularised it in a provocative essay in the Atlantic Monthly entitled “Containing Japan” and now in More Like Us.

Fallows’ book is neither a rigorous critique of the Japanese system nor of US economic policies. Rather, it is a curious mix of anecdotal, philosophical, and socio-cultural reflection on the strengths and weaknesses of America as a culture and society. While not a comparative analysis of the US and Japan, the book is obviously animated by the US vs Japan issue. Disturbing the US from Japan is a central theme of the book; indeed, the book...
is in essence an embrace of “American exceptionalism,” a celebration of the American Dream.

In analysing Japan’s cultural traits, Fallows argues: “Japan has two cultural advantages America can’t match: a concept of racial unity and a tradition of effort for its own sake.” Japan’s cultural traits work for Japan, he argues, because they succeed in matching individual self-interest with the collective good. He makes the cultural relativist argument that it would be wrong for the US to imitate Japan, not because Japan’s cultural norms are good or bad, but because the US is not and cannot be Japan.

Instead, he argues that the US’s strength lies in all those mythic qualities that comprise the American Dream — the nation’s openness, class mobility, flexibility, the sense that anything is possible. That strength, for Fallows, is the embodiment of Joseph Schumpeter’s notion of “creative destruction.” The unlimited possibilities open to wave after wave of immigrants, the elasticity of class boundaries, the constant re-inventing of the culture and self — all this, for Fallows, is the stuff that makes America work and assures it of a competitive future.

Much of the book is a well-argued and eminently rational critique of the extent to which the US has veered from those traditional virtues and become, in its own way, a somewhat Confucian-like society. Fallows shows how far American society is defined and measured by tests (SAT, SAT, MBA), and by pedigrees (school degrees, licensing requirements, and other status-creating measures). These paper qualifications are necessary to an individual’s advancement, but they are often little related to how well he does his job. Class-oriented rigidities that impede individuals from demonstrating their talent, the argument goes, sap the country of a source of its strength.

Fallows’ critique of some of the contemporary rigidities of American society is impressive as far as it goes. But it still does not explain the insularity of mainstream business practices that has detracted from American competitiveness over the past generation, or the incredible decline in education standards which has led Japanese executives not infrequently to hire Americans with post-graduate degrees in their US operations for jobs which in Japan would go to high school graduates.

Moreover, one senses in Fallows’ logic a certain nostalgia for the idealised American past. After all, it was to a large extent the continuously expanding Frontier which created the endless possibilities for wave after wave of immigrants, and the national psychology of the Frontier which fostered the Horatio Alger mythology — and imbued it with some reality. With the possible exception of outer space, few such frontiers exist today. Not surprisingly, American society has over the years become more regimented, though still far less so than most others. As a piece of social criticism, More Like Us is a welcome and useful contribution. As an answer to the US vs Japan debate (admittedly, not the author’s intention), however, it leaves something to be desired.

In many ways, Max Holland’s When the Machine Stopped, the more compelling of the two books under review, dramatises Fallows’ points about the US’s traditional sources of strength and current dilemmas. Micro rather than macro in scope, Holland’s book is a beautifully told saga of “only-in-America” industrial entrepreneurship, a larger-than-life case study of Burg Tools (later Burgmeister), the firm which became a subsidiary of Houdaille Industries via merger and acquisition, a development which ultimately led to its demise.

It is a Horatio Alger-like tale of a Jewish immigrant, who in the 1940s, at middle age, changed careers to pursue a passion of his youth. He built up a machine tool business in his garage and turned it into one of the US’s leading manufacturers.

So successful was Fred Burg, that he caught the attention of Houdaille, the conglomerate which eventually acquired the firm. The Burgmeister story in itself is a fascinating slice of Americana, and the book reads like a novel. But what makes it a particularly important story is the Houdaille connection. The Houdaille case was a landmark trade policy affair in the early 1980s, one in which novel legal means were pursued to challenge Japanese industrial policy. Although president Reagan ultimately turned the case down (after direct intervention by the then prime minister Nakasone), the Houdaille affair was an important catalyst to changes in US trade law and approach. The emphasis on “reciprocity” now manifested in “Super 301” efforts is in no small sense the child of the Houdaille case.

Holland clearly sees the larger implications of his remarkable story. For Holland, the story of Burgmeister and Houdaille is the story of how American industry came to be dominated by MBAs and “managerialism,” and how the quarterly balance-sheet imperative supplanted the innovative, risk-taking entrepreneur. And whatever sins Japan may be guilty of — and Holland offers a clear-headed analysis of Miti’s role in the rise of Japan’s machine tool industry — the book seems more like an indictment, albeit largely anecdotal in nature, of US business culture. It provides an object lesson of the pitfalls of what US Office of Management and Budget Director Richard Darman recently bemoaned in a speech as the “now-noism,” the need for immediate gratification that is plaguing American society.

Robert Manning

Betwixt and between


Anglo-Indians are neither British nor Indian. They are half-castes, variously called “country-born,” “twelve annas to the rupee,” or even “England’s hostages to India.” The Europeans sneered at them, while “the Indians,” writes I. Allan Sealy, “did not hide their puzzlement at the sight of a dark skinned woman in white dress.” Once they were a prestigious and prosperous community; now they face unemployment and poverty.

Sealy, himself an Anglo-Indian, portrays them in a novel written in the tradition of Namas, or chronicles. The story spans 200 years and seven generations, and describes the triumphs and tribulations of an Anglo-Indian clan from its founding in the 18th century by a French mercenary officer to its shrunken present. The story is narrated by a seventh-generation Trotter, Eugene, a painter and a forger of miniatures, who tells us not so much what really happened as how he would like it to have happened.

The decline of the great family is colourfully charted. As the years pass their grandeur fades, their properties are flooded, their chateau (named Sans Souci) is turned into a bad hotel, their fortune dwindles, and the family members themselves are scattered while still trying to cling to their Anglo-Indian identity. It is a rich account, though here and there the writing feels contrived. Interspersed are caustic comments on war, pride, cultural disharmony, profi tyranny and the slavish aping of the West.

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