History of Japanese Economic Thought

Lecture No. 2

Winter Semester, 2004

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2 Japanese Concept of Corporation

Introduction

Issue presented in the previous lecture

- Why did Japanese accept the restriction of proprietary rights to corporations?
- Doesn’t its reason lie in the tradition of a weak notion about “ownership”? And why is it?

- Consider a corporation as a functional organization to provide (produce) goods and services. With new businesses coming onstage these goods and services extend transversely, but it is likely to be rare that preexistent functions get lost from that society.

- Of course, as for such functions as transfer of people and baggage, or conveyance of information, their concrete states may alter significantly as seen in changes from express messengers on foot to postal mails, from planquins to railroads or to automobiles; Whence it is not surprising that bearers of these businesses take turns on a grand scale.

- However, is it a rightful understanding of the history that, even without such decisive transformations of basic technology, changes of providing (producing) corporations are a matter of course?

Corporate Configuration/Continuity and Basic Function of Corporation

- Example: History of Railroad

Configurations of corporations change like from private railroads, National Railroad and to current JR, but the services continue to be provided. While reasons for the alteration of such bearers may require some level of explanation, from a view point of "basic function" of corporations to be succeeded, changes in capital investors or corporate configurations are not so important problems.

There is no change in that goods and services provided continue to be produced under the coordination among industrial corporations in pursuit of technological rationality.

- In this sense, the greatest problem in current discussions about corporation lies in arguing in a framework that looks at a corporation merely as an end of fund infusion, or an organ for increasing capital, without inquiring about its basic function in economic society.
- Then, looking back on corporations in the history from a fresh aspect of no constraint, one can find a chronicle from the time corporate activities were called “family businesses” when a part of these was the preservation of the family, which subsequently came to be expanded to a concept of reward for investment. And one can also see that, with a high regard for the preservation of the family, an idea to dwell on the permanence of corporations was widely shared.

2—1 "Myth of No Bankruptcy" of Corporation

- Why did the "myth" come on the scene that corporations "would not bankrupt"?
- It is not so long time ago that an environment was formed for Japanese to believe in "no bankruptcy" of financial institutions.
- In order to think about this problem from a little broader perspective, let us consider the following question: Did many Japanese figure that while financial institutions would not close down due to bankruptcy, other industrial corporations always took risks of bankruptcy?
- In fact the modern history of Japanese corporations is built up on the heap of corpses of collapsed companies.
- It is not that Japanese forgot such a history.

2—2 Tradition of Early Modern Merchant

- Even before a modern corporate system was brought in from Western Europe, within business activities of merchants in Japan, a multitude of ingenuity was accumulated as to how to make these activities continuous.
- Risks of bankruptcy transpired in a variety of occasions such as masters' extravagance/lavish spending, misconducts of employees, downfalls of client companies and investments in new businesses with high risks. Excluding the times when the authorities of the feudal government/clans were absolute to have sometimes ruined merchants by power, there were abundant risks of bankruptcy around them. It was strongly necessary for them to defend their family businesses from these risks.

Mitsui's *Omotokata* System and "Sochiku's Will"

- Mitsui Zaibatsu's origin goes back to the 17th century. Its beginning is said to be the openings of a draper's (shop) by the name of "Echigoya Hachiroemon" in Edo Honcho 1-Chome and, at the same time, a stock-up store for drapery in Kyoto by Mitsui Hachiro-bei Takatoshi, merchant from Ise Matsuzaka, in 1673.
- A headquarters organization called *Omotokata* was established in a form of the kin's joint investment.
- An ingenuity "to retain this for generations to come" was clarified.
- "Sochiku's Will " instituted by Takahira in 1722 who succeeded founder Takatoshi

As a common noun for management headquarters, *Motokata* was in use among Kyoto merchants and others in the early modern centuries. (Shigeaki Yasuoka, *Management Philosophy, System and Employment of Early Modern Merchant Families*, Koyo Shobo, 1998)

Content of "Sochiku's Will"

- "Sochiku's Will" laid down the provisions on each quota for 6 head families and 3 related families comprising the kin, on the inheritance for each family of the kin, on how to operate *Omotokata* and the division of roles for boss/chieftain/padrone, and on the kin's living expenses, etc.

- As its fundamental philosophy, the will requested the kin to "inherit the family business and make it prosper even further."

- The will stipulated "the taboo on new businesses" that prohibited loans to feudal lords and speculative trades, and further, any foray into new businesses. It also demanded "descendants of starting the apprentice in the family business in their 12 to 13 years old."

In sum, its request was, without going in for new businesses unnecessarily, to secure and advance the confine of the family business which Takatoshi and Takahira upbuilt over the two generations.

- According to Matao Miyamoto, the Will’s important points are:
①Equity right to Omotokata’s assets was set to be limited
to 6 head families and 3 related families；
②Inheritance of each family was set to be an independent inheritance;
And the even more important matter is:
③ It was set out that each family would not be allowed forever to conduct divisive requisition or disposition of assets equivalent to its equity right.

That is, while each family has the proprietary rights in the form of equity right, its interest is limited to receiving a share of the profits generated from joint assets, but the right to dispose own assets was precluded. A highly important restriction was committed to the kin’s right of ownership of their family business.

Mitsui Family's "Configuration of Equity Participation"

- Family assets concentrated in *Omotokata* were owned jointly by 9 families in accordance with the individual quota.
- Ratio of the quota was a little more than 28% for Hachiroemon Takafusa (third generation of the heir family) being atop the list, and rather evenly distributed to the rest like less than 10% for each of 5 families.

However, though many kin possessed the divided ownership of the business for form's sake, the principle rule was that only the firstborn child in each family had the right to inherit and no split-off was admitted.

Why was the right to liquidate own equity quota not admitted?

- There is an interpretation that the origin of the word *ta-wake-mono* [fool] is *ta-wo-wakeru* [to divide a paddy field].
- Each family's quota was meant to be the "asset corresponding to the share of its ownership, any divisive requisition or liquidation of which is not eternally allowed." Thus each family merely "received its share of profits generated from joint assets," and had no right to liquidate own asset.

Atypical Character of "Right of Ownership"

Variance from the principle of proprietary rights that came into effect in Western modern society:

- In Mitsui family, the practical right of ownership to the business was constrained.
- Sochiku's Will obligated contemporary family heads to tentatively take the business succeeded from the ancestors under their care, manage with the kin's cooperation, enhance, and hand it over to their descendants.

Basis of Idea of Adoption

Adopting children often conducted by traditional merchant families is in line with this idea:

- Example of the Nakayama family of Omi merchant in the research by Mr. Kuninori Suenaga:
- Takashi Shiraishi presents an example of “Yokoyama-cho wholesale district”, where the majority of the nine long-established stores from Edo Period are headed by their adoptees, and further, in case of Nakamura Shohachi store, the family precepts “prohibits the inheritance by males.”

Permanence of Business under "*Soyu* System" .

- It has become a commonly accepted theory in the academic societies of economic history and management history that the particular kind of state to disapprove the rights to liquidation of one's asset seen in cases such as the Mitsui family is called *Soyu* [collective/indivisible ownership].

- This viewpoint is being purported by Mr. Shigeaki Yasuoka who is familiar with researches on the history of Zaibatsu management and that of modern merchants.

Pictorial Magazine of Modern 100 Years' History, Vol.2: 1863-1868, Kokusai Bunka Jyohosha, 1951, p. 123

Concept of "*Soyu* System"

- According to Yasuoka's introduction (Shigeaki Yasuoka, *Historical Research on Zaibatsu Management*, Iwanami Shoten, Publishers, 1998), "Germanic village community was a grouping where all villagers were united monolithically without losing each individual's standing, and they were referred to as the realistic integrated people (Gensossenschaft). Whereby the ownership-management function of the village group belonged to the village per se, and under the societal norms that ruled the village community, only the moneymaking function was vested separately in each inhabitant. The rights held by collective owners under *Soyu* are merely ones to earnings and not to proprietorship in modern laws."
- In Japanese custom, this is like a collective ownership of common land where an individual's right is "limited to the usufructuary in proportion to one's quota without one to its disposition."

Emphasis on Continuity of Family Business

- Yasuoka expresses his view regarding major merchant families in Edo Period: The nature of the right to their assets (currency, land, premises, goodwill value, etc.) had characteristics similar to those of *Soyu*'s.

  "As a family business succeeded and grew bigger, which continued to be inherited over generations, these assets no longer belonged to the household head in person, and turned into the form of *Soyu* of all members of the family."

- In short, emphasizing continuity of a family business reaches fruition of an idea to have the family business and its fundamental assets belong to a separate organ cut out from individuals who own them privately, i.e. a business organization, and which itself is considered to be operated continuously. *Omotokata* system was one of such states. It was ideal to be able to say, "The (family) business is everlasting."

Accordingly, *Omotokata* system assumes a separate “main constituent” even if it is fictitious.

Just like the village community in the Germanic society, as advocated by Yasuoka, that was regarded as “the realistic comprehensive people” being the main constituents, an organization of the united kin that took control of the proprietary rights.

In contemporary society, although it is debatable whether a “company” exists as an economic main body cut off from the management and shareholders, a “company” is admitted as a main constituent to perpetually operate its business, i.e. as a “legal person” in its own way, even if shareholders, managements, or, employees counterchange with time. That is demonstrated typically in the “great head-family system” of the Nishi Hattori family, landlord in Okayama Prefecture.

Restriction of Profit Distribution and Recruitment of Professional Management

- Ingenuity of “*Omotokata* System”

①Method of profit distribution to prioritize reinvestment of profits

②Recruitment of professional managements

Source Material 1

- **The first official regarding a family's protection is a padrone who remonstrates with the family master on his mistakes and offers subordinates advices; it is quite important for a family to be mindful of curing house physiognomy with the top-to-bottom mind-set in harmony.**

(Shigeaki Yasuoka, *Management Philosophy, System and Employment of Modern Merchant Families*, Koyo Shobo, 1998, p.59)

- **It is very important to select clerks. Do not miss a big gain by picking a little shortcoming. One sometimes chooses a little gain and seeks for a big loss. Subordinates being good or bad reflect their master's mind. From ancient days great *shoguns* had good subordinate warriors, and vicious lords had vicious subjects. The difference lies in a superior's quality either being wise or ignorant. A master ignorant of his family business does not know his clerk's works, hence not utilizing this subordinate however capable he is. If left alone idly, this person hates his master's ignorance and is likely to think of falling back. … There is no limit to business and hard work yields prosperity. If creative measures are inadequate, business declines. Then, it is in accord with reason that, when a master bestows favors on a subordinate with merits for an advancement in his career, other low performers become better on their own. Manage subordinates with sincerity and they follow with sincerity too.**

(Shigeaki Yasuoka, *Management Philosophy, System and Employment of Modern Merchant Families*, Koyo Shobo, 1998, p.87)

Development under Leadership of Servant

- Reform by Rizaemon Minomura:
  Amendment of "Revised Articles of *Omotokata*" in August 1874

三野村利左衛門　（三野村清一郎『三野村利左衛門伝』1969年，より）

Haruhito Takeda, *Epoch of Zaibatsu*, Shinyosha, 1995, p.12

三井組ハウス（のちの第一国立銀行）　三野村利左衛門が1872（明治５）年に東京・兜町の海運橋際に和洋折衷５階建ての三井組ハウスを設立した。建物の設計施工は築地ホテル館を手がけた清水喜助。高さ36メートル、間口27メートル、奥行51メートルの周囲を圧する建造物だった。73年、第一国立銀行が誕生すると建物をそれへ譲り、三井は駿河町三井組ハウスに移転した。（上・三井文庫蔵、下・渋沢史料館蔵）

Sources of quotation: *Modern Era of Japan, vol. 11: Challenges of Entrepreneurs*, Chuokoron Shinsha, 1999, p.9
(Upper pictorial cut: "*Diagram of Five-Storied Building of Kaiunbashi in Tokyo Notable Sights*", Mitsui Bunko
Lower pictorial cut: *"Dai-ichi National Bank"*, Shibusawa Reference Library)

Purpose of Amendment

Omotokata is the Mitsui family's great foundation, which is the critical office to keep and safeguard the fortune handed over from the ancestors, and its ownership from the very start is not restricted to the people of the common surname of Mitsui. Cognominal ruling elders, executives and clerks are public officials to protect this office. They should take in the rules pronounced from *Omotokata* as the direct commands from the ancestors to the present world, to which superiors and subordinates should never act contrary. And what makes *Omotokata* and each store prosper is the cognominal persons' diligent works and all clerks' cooperation under their unified mind-set.

- The pillar of this amendment was to close on significant changes in principles of *Soyu* system: That is, servants declared enhancement of their positions.
- ← Managerial sovereignty in reality

3 *Soyu* System of Zaibatsu

- Early modern merchant traditions spread over to wealthy people such as parasitic land owners who thrived in Meiji Period .

- Despite the introduction of Western-style legal system that supported modernization systematically, this unique business perspective practically restricted the private right of ownership, and gave the relationship between capital investors/owners and businesses a characteristic that was different from one in Western point of view.

Mitsui Family's Precepts and *Soyu* System

- In the mid-Meiji Period, or from the 1890s to 1900s, Mitsui family sought an appropriate type of organization for controlling/operating its total business that started developing on the foundations of such new businesses as Mitsui & Co., Mitsui Bank and Mitsui Mining Co.
- In terms of results, Mitsui family's businesses were intensively controlled/operated under Mitsui Partnership Corporation that replaced *Omotokata* in Edo Era, and no change was made as to the structure that Mitsui's kin received the full benefit of profits from thence.
- It was the family precepts of Mitsui that explicitly stipulated those points.

Mitsui Family's Precepts: (1) Fundamental Asset

- Stipulating an "operating asset" as the kin's fundamental asset, the family precepts laid it down in its article 9 to the kin who put up money in this that, "The kin ought to preserve their ancestors' precepts, always be on close terms with brotherly affection, cooperate under a unified mind-set, make the succeeded business all the more prosperous, and reinforce each family's footing."

In sum, they placed a significance on the permanence of the business and a primary duty on the development of the patrimonial business.

Mitsui Family's Precepts: (2) Position of Kin

- On the other hand, the precepts banned the kin to conduct political activities by joining any political party, and to incur debt and guarantee debt; they also forbade them without the kin society's approval to operate commercial and industrial enterprises, buy any interest in outside companies, become members of the board outside of Mitsui's operating stores, and, assume official duties. Accordingly, the kin's business activities were strictly limited to the confine of those controlled and operated by the Mitsui kin society and Mitsui Partnership.

Mitsui Family's Precepts: (3) Distribution of Profit

- Further, with respect to the liquidation of net income, it was set out at the time of establishing the precepts in 1900 that the kin would appropriate to the kin's contingency reserve more than one third of what was left after deducting each operating store's executive bonuses and the kin society's expenses incurred from each store's dividend profits, and to distribute the balance to the kin themselves.
- In addition, the provision on such distributions was revised to the direction of increasing internal reserves that resulted from newly established funds in an organizational reform done right after the above occasion such as a special sales reserve and a provisional sales reserve. It was a revision to secure funds necessary for the fast-growing family business.

Reality of Profit Distribution Based on Family Precepts

- To compare net profit, payment and insurance dividend (profit allotment for the kin) of the three stores operating under Mitsui Partnership:

	Net Profit	Payment	Dividend
1900－01	¥54.6 million	¥26.4 million	¥10.6 million
07－08	178.1	78.9	35.1

Ratio of Payment: Almost the same in range of 44% to 46

Ratio of Dividend: Cut-down from 28% to less than 19

Furthermore, an actual profit allotment to each family was set at ¥360,000 as basic resource, from which reserves of each family were deducted as requirement; thus it was only ¥240,000 that was approved as annual allowance for the whole of the kin.

(Juroh Hashimoto & Haruhito Takeda, *Development of Japanese Economy and Corporate Group*, University of Tokyo Press, 1992)

Role of Professional Management

- As for perspective on recruitment/selection of professional managements, the way of thinking since the foundation of the Mitsui family business was succeeded to Mitsui in the epoch of Zaibatsu.
- Faced with some discontent in a company's management, a normal shareholder is given two alternatives: sell out his shares or step in its management.
- In contrast, the kin as capital investors were not allowed to freely dispose their own quota of equity under the principle of *Soyu* system.

Accordingly, in the context of a closed full funding, the Zaibatsu's kin as capital investors seemingly had a high possibility to directly intervene in issues of corporate operations, and if happened, their say should have possessed an absolute power.

This kind of possibility had existed since the times of merchants before Meiji Restration centuries, back before a modern corporate system was founded, and the Mitsui family had continued to fret over preventing the kin's arbitrary intervention in managerial issues since Sochiku's Will.

That tradition was succeeded by Zaibatsu Mitsui.

Characteristics of Pyramid-Shape Organization

- A point of the institutional ingenuity to restrain interventions into businesses was an overlapping structure of the organization.
- Any intention of the kin society to which each kin belonged was reflected on management policies through agreement with the professional management at Mitsui Partnership Co.
- While a few of them occupied top positions of each business company such as nominal presidents until the beginning of Showa Period, they in fact entrusted the professional managements— fully familiar with job sites— with a power of attorney as they themselves did not have enough experience or expertise to hold the real managerial power.
- Possibility for them to directly step in business operations was considered to have little effectiveness attributable to the presence of a buffer zone named Mitsui Partnership Co. Which is a "containment of possession" by the professional management, according to Mr. Takeo Kikkawa.

(Takeo Kikkawa, *Japanese Corporate Group*, Yuhikaku, 1996, p.31)

Hegemony of Professional Management

- In managing businesses affiliated to Zaibatsu, professional managements come to engage in improving business achievements with ideas originated from job sites they themselves faced, looking to the long range under the stable shareholders who never withdraw due to the "containment of possession."
- Accordingly, in Zaibatsu subsidiaries, corporations of the same quality with ones in the U.S.—named managerial capitalism in which the professional management takes a managerial leadership—came into existence.

Hegemony of Professional Management

- The above simultaneously presents the same characteristics of corporate management with ones common to Japan after World War Ⅱ in that the authority of shareholders is weak while the management's role to play is extremely large.
- The most significant point of difference between the prewar and postwar eras was that, in the former era, stable shareholders who guaranteed the management's hegemony were kin and Zaibatsu headquarters thereunder whose behavior was restricted by the principle of *Soyu* system, while, in the latter era, the stability of shareholders has been maintained by the cross-holding of shares.
- Succeeding as the principle of Zaibatsu's managerial organization even in modern times, the tradition of business management in *Soyu* style since Edo Period came to materialize the managerial stability/permanence through such measures as the elimination of investors' arbitrariness, prevention of dispersion of business assets, securement of reinvestment funds by internal reserves of profits, and recruitment of professional managements.

Capital Investor's Responsibility and *Soyu* System

- An interesting point about establishing Mitsui's family precepts is an opinion of a German jurist Roesureru regarding their draft proposal. His view was offered in response to a request from Kaoru Inoue in consultant status of Mitsui family. Roesureru was a person who contributed to the establishment of Japan's commercial and corporate laws.

"Portrait of Roesureru" removed due to copyright restrictions

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Roesureru

Illustrated History of Japan, vol. 14, Shueisha Inc., 1976, p.237

Capital Investor’s Responsibility and Soyu System

- Having studied the draft, Roesureru pointed out that the core of the problem lay in Mitsui family’s “common property”, and that provisions transpired from peculiarities of this “common property” contained many issues that were incompatible with the Western legal system such as the Civil Code that was being introduced to the nation.
- Focusing on a provision that the “common property“ is never possessed by any individual of the family from past to present,” Roesureru, while understanding an intrinsic difference in concept regarding proprietary rights, asserted that there was a question as to whether any strict restriction could be set on constituent members of the kin by means of the family precepts with respect to their “personal matters” such as marriage, inheritance, and individual’s expense amount, so as to maintain and control “common property.”
- Ideas stipulated in the draft “fit in periods of the national isolation, but are not expected to be successful if tried out at the present day,” because “there should be times when even the families of Mitsui would absorb a new thought and accept trend of a new age, and demanding them to adhere to provisions beyond civil law...is to restrict their rights naturally recognized for adults by falsely regarding adult families as juveniles.”

Discrepancy between Family System and Commercial Law

- As in the above, from the perspective of a foreign jurist, the state of managing Mitsui family’s assets and businesses was significantly atypical and involved ideas that were incompatible with the Civil Code and such.
- Regarding articles relative to family system, some adjustment was made on the Civil Code from its draft stage to the direction of establishing family system, but such a Japanization effort was not extended to commercial law.
- Rushing to modernization, the Meiji government materialized the development of legal system by introducing that of Western style. As its result, customary-law-type concepts lying in actual economic societies were scarcely reflected in legal imperatives.
- Fully aware of the discrepancy from modern legislations applicable to commercial matters, yet Mitsui family, in order to retain the rules on business they themselves traditionally maintained, put them in statutory form as the family precepts and obliged the kin members to abide by them.

Is Emphasis on Permanence Japan's individuality?

- Cases introduced in Arthur H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965):

- In Davis S. Landes's research, corporate management in France "is not livelihood per se, and its objective cannot be found in such an independent philosophy as production or service. Corporate management exists along with the family and for the sake of family; and honor, wealth and reputation of corporate management are honor, wealth and reputation of the family."

A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965)

- According to Cole, "perhaps it may owe to a institution of inheritance, but in the universe of entrepreneurial activities, more than any other sectors in recent societies, there is a markedly significant meaning in stability of the family." This way of grasping stems from a presumption that in the European history "there are unknown number of cases where business management activities were pursued, and also 'maintained', for the purpose to build the family foundation."
- Cole states: "In Venice in the 14th to 15th centuries, they allegedly went back to business every 3 to 4 generations in order to recover assets that decreased owing to their political activities or lives in dominions. Many of aristocrats of England, Sweden and Germany evolved out of successes in business management activities. But there is no need to bring out aristocrats and landholding.
- "The following is told about business people in Latin America: Even after attaining a success in one field, they subsequently continue to engage in business turning over their activities to other fields. This is for the reason that they can leave behind an independent factory or store for each of all children of their family."

A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965, p.16)

- From a viewpoint of historical origin, almost all business operations were private establishments. For that reason, it is no surprise that the "stability of the families" of these managements was one of important factors for their business activities.
- In this regard, there is nothing special about the business perspective of Japanese merchants valuing continuous sustainment and development of their family business and property. Rather, such a phenomenon has been widely observed in Western society too.

- Subject of personal entrepreneurial success assumed in venture business theories was not necessarily a definite factor in such a history, and in certain instances, a sidelined issue. Despite this, however, there is a decent reason for personal entrepreneurial success to have come to attract so much attention.
- In order to understand this point, it is necessary to review with careful attention to considerable differences in Western society between Europe and the U.S.

Difference between Europe and America

- According to historian Tibor de Scitovzky, in England, “the presence of feudal aristocracy and land-owning aristocrats set out social standards, attainment of which constituted an ambition of the emergent capitalist (entrepreneurial) class.” English entrepreneurs in the 19th century “tried to be predominant vis-à-vis their competitors by way of being admitted to high societies, not by the size of their business or property. That kind of ambition diminished fierceness of industrial battles, and diverted vast time and energy and currency from business.”

- Researches by Masayuki Tanimoto and others point out that the similar kind of phenomena can be found in large numbers in Japan in “local persons of high standing” among entrepreneurs who have expanded business activities as leaders of industrialization around the country; In concurrence with economic success, they devote their energy to activities that tie in with enhancing their social/political positions in regional communities.

Wealth-Based Society of American

- On the other hand in the U.S., in accordance with Tibor de Scitovzky,"Politics bore little social glory and could not satisfy social ambition. Social life established by business class per se in various cities in the East put spurs to increasing assets by setting wealth as the sole standard for social ranking." Thus, the American businessman "found one and only target of his ambition and amusement" in moneymaking, defeating competitive firms and expanding his own company.

A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965, p.100)

- In other words, America is a society which "conspicuous consumption" governs, as purported by Veblen, author of *The Theory of the Leisure Class*.

- For that reason, according to Cole, “In the U.S. persons being a step ahead somehow are dominant as popular heroes, and ones to be given the highest position among them are those who have risen from desperate poverty to enormous fortune. In a sense, this sort of ironical view of society is no invention of America... But the level of infection in America was graver and no fiercer desire to get ahead of others with success in business was ever observed in any other countries.”

  A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965, pp.101-102)

- This kind of hero legend may be easy to understand if one recalls present-day Bill Gates as a typical case example. Outstanding particularity/heterogeneity of American society lies in that success in life is synonymous with the acquisition of wealth, which as a virtue is meant to be more important in the U.S. than in other societies.

Managerial Capitalism in America

- But even in American society in the 1950s, managerial historian Thomas C. Cochran points out:
- “Managerial thought in the beginning of the 1950s placed importance on success through education, collaboration and various human relations, and disapproved all of egoistic individualism, blatant dealing with fellow traders and any desire for high profits likely to jeopardize long-lasting stability; Thus beliefs of the management (of this age) were changing from an acquisitive culture to the idea of emphasizing political culture, and were switching to the theory with an objective to obtain positions that would bring about influence and authority rather than personal wealth.”
- In short, it is observed even in the U.S. that some stream of thought critical to a mere quest for the acquisition of wealth came on line, and that purposes of business activities changed.

Managerial Capitalism in America

- As its consequence, "Once major objective was shifted from special profits for shareholders to organizational prosperity, a critical first step was taken toward new social adjustment. The plan came to be built with tow points as its central aim: For securing ever-lasting continuation of the organization, what should be done to best adopt the organization to general trend of society, and how the organization can sustainably increase remunerations for employees and maintain their loyalty and morale."

  A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965, p.71)

- **This bears a close resemblance to an indication of "Japanese-Style Management Theory."**

- This way of looking at corporations by Cochran is close to an image of corporation described in "Japanese-Style Management Theory", but undoubtedly this evaluation was generated from observations of American society in the 1950s.

- In times when "managerial capitalism" attracted attention as a state of capitalistic economy, the continuity of corporate management was an important factor in the U.S. as discussed in the above. In such a background, A. H. Cole notes in his primary work, *Business Enterprise in its Social Setting,* that corporations have "open endedness" , and that "various managerial systems affiliated with business activities have a sort of organic single enitty."

  A.H. Cole, *Business Enterprise in its Social Setting* (translation by Keichiro Nakagawa, Diamond, Inc., 1965, p.13)

Concept of Corporation That Changes by Time and Place

- That sort of recognition is different from the concept of corporation assumed by recent economics that is critical of Japanese-style management, and demonstrates that American companies' way of being—such economics idealizes —is a product of the given times, and, at the same time, that the state of Japanese corporations does not have exceptionally particular kind of characters.

- In that meaning, it should be noted above all that the term "managerial capitalism" has come on the scene from researches on corporations in America. With respect to the character of the present American concept of corporation, in particular, the perception of corporation purported to be restoration of shareholders' rights, it is open to the following disputes: If that shows a challenge to a new state that has overcome shortcomings in the view of corporation which had proceeded such perception or; if that is merely an American-style idiosyncrasy of recognition regarding corporation or; if it is regression to the history of insatiable pursuit of wealth—in cynical expression, if it is merely having a relapse of the disease the U.S. had most seriously infected. Granted that it is a proof of evolution, there is no assurance that such perception is not an ingate to an evolutional process leading to ruin just like dinosaurs and mammoths.