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The Japanese Competition Model

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Pamela Meadows (1) seems to favour the third of three options for dealing with the UK unemployment problem which she so lucidly surveys - paying more for our railway tickets so that stations can be decently staffed.

Maybe even paying more local taxes to de-privatise refuse collection, creating more jobs in which even those whose energy levels are not up to working more than 35 minutes in every paid hour can still make out?

It is, indeed, well called the Japanese option. How long Japan should continue to retain it was a matter furiously debated at a conference, *Capitalism in the 21st century*, in Japan's Finance Ministry earlier this month.

The crux of the matter is competition. Pamela Meadows, echoing the Blair/Major consensus, says we should welcome the way European societies have become more competitive and efficient. But, she notes, *there have been some less desirable side-effects*.

What she does not acknowledge is that there is a real trade-off. You cannot have the no-holds-barred competition, that British society presently favours, without those side-effects. The Japanese keep up employment precisely by the limitation of competition.

This is done partly by regulation, partly by cartels. No petrol station can steal a march on its rivals by sacking employees and going self-service, because the fire regulations won't permit it. The slowing-down of the growth of supermarkets keeps up less-efficient retail employment.

As for cartels, look at newspapers. Compared with the UK, grossly overstaffed by any words produced per journalist criterion. But viable because there is either an implicit or explicit cartel which rules out Murdochian price wars. They compete fiercely in news and features, sponsoring concerts and baseball teams, but not on price.

It probably won't last. On the one hand, external pressure, with US trade representative Mickey Kantor, and EU trade commissioner Sir Leon Brittain, constantly clobbering the Japanese for dragging their feet on deregulation. On the other, the very real "policing" problem which requires a consensus about the criteria for separating socially useful cartels from conspiracies against the public.

Those of us who argued: *Stick with it; competition and efficiency are not the only ends in life* were in a distinct minority, greatly outnumbered by Japanese economists with PhDs from Berkeley and Chicago, true believers in the supreme virtues of

competition. Which is, after all, not just the Blair/Major consensus but the worldwide neoclassical economics consensus.

Will America's social problems eventually become so serious that that consensus changes?

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Webmaster's note: This letter to the *Financial Times* is reprinted by kind permission of Professor Dore and of the newspaper. Twenty years later (August 2016) it looks as though the American consensus is, at last, beginning to change!

References

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(1) **Pamela Meadows** is a visiting fellow at the National Institute of Economic and Social Research, London. Her research interests include labour markets, employment and the economics of social policy; she has written extensively on these subjects. Prof. Dore's piece above quotes from her article *When growth fails the unemployed*, published in *Financial Times*, 27 February 1996.