In his Politics and the Novel (1957), Irving Howe tells us that novels of social evidence and testimony come in at least the following categories: picaresque tales in which a rogue-hero breaks through conventional class barriers, the novel of private sensibility in the face of public Philistinism, the “social novel” or novel of manners (Jane Austen), and the political novel, of which the classics include works by Dostoevsky, Malraux, Koestler, and Orwell. He did not mention the economic novel (what the Japanese call the keizai shosetsu or kigyo shosetsu), which reflects what is important in Japanese life. As Howe reminds us, the political novel is not about politics and political ideas in themselves but their “complex relation with the kinds of experience that resist reduction to formula,” a work in which “abstraction is confronted with the reflex of experience, the monolith of program with the richness and diversity of motive, the purity of ideal with the contaminations of action.”

At the very least, the political or economic novel must convey what is true about a relationship or lose the interest of its readers. Tamae Prindle, professor of Japanese at Colby College, pioneered the study and translation of Japanese economic novels. Her Made in Japan, and Other Japanese “Business Novels” (M. E. Sharpe, 1989) and her translation of Watanabe Kazuo’s Labor Relations (University Press of America, 1994), originally published as (...) (Mainichi ;c1.Shimbunsha, 1979), are today the standard works on the subject in English. She has recently translated a collection of works in this genre by Shimizu Ikko (............... under the title The Other Side of the Economic Novel (M. E. Sharpe, 1995, forthcoming), and we here reprint a short excerpt from the long novel included there, Shimizu’s Keiretsu (.......), literally lineage but meaning industrial conglomerate). It concerns the car-maker--parts-supplier relationship, an issue of great concern to current Japanese-American trade friction; and its main protagonists bear more than a passing resemblance to Toyota Motors and Koito Auto Headlight Company (the outfit from which T. Boone Pickens tried to get a board of directors seat). Shimizu’s Keiretsu focuses on the means of control and the exploitative relationship between the automaker and the parts supplier, a subject of interest not just to readers of novels but also to trade negotiators. This is the kind of information those given responsibility for dealing...
with Japan should have. Keiretsu was first published by Shuei-sha in 1992. Seventy thousand hardcover copies have been sold, and it is now in its 10th printing. An additional 300,000 paperback copies have been printed by three different publishers. It is one of 24 works by Shimizu that have been turned into a television drama. The Japanese know about what is described in this novel; it is time foreign analysts knew it as well.

Japan Policy Research Institute

A Glimpse into the Abyss: The Life of a Keiretsu Contractor
by Tamae Prindle

Taisei’s major products were car headlights and rearview mirrors. These products were not patented. A “new product” was not a new invention. It was a mere revision of an existing product. But even the revision required research. The engineers in the Planning, Development, Design, and Manufacturing divisions experimented enthusiastically. Taisei then showed the resulting product to the automaker in its keiretsu network.

Tokyo Motors’ buyer would ask, “How much?” if he liked it.

Taisei’s salesman would gingerly name a price. “How about eight thousand yen per unit?” This price would cover the research and other costs.

“May I borrow this?” TM’s purchaser would reply curtly. He would then summon another headlight-maker the following day and sound them out. “Taisei made this. How much would you charge if you made one?”

The partsmaker--needless to say--would be one of Taisei’s competitors. However, the company wouldn’t know Taisei’s price. So they would take the product apart and try to backtrack the cost. But their price wouldn’t have to include the cost of research or invention. This company would want new business, so it would quote a price just above the production cost.

“We’ll make it for 4500 yen per unit,” their representative would answer.

Next, Taisei’s salesman would be called back to TM’s head office at Toranomon. “Another company is willing to sell this for 4500 yen. Your price is almost double”.

This was a prototypic beginning of a sales negotiation. Taisei had to recoup its investment; they had already spent considerable capital in research, and the product was ready to be mass-produced. But Taisei had no way to monopolize the unpatented product.

“This is an original innovation; we invested a lot of time and effort so that Tokyo Motors can use it,” the Taisei salesman could only plead.

“We know that”.

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“Then, please . . .” The salesman desperately plugged on.

“I never said we wouldn’t buy it. The problem is the price.” TM’s buyers were in their late twenties, but they knew how to look down their noses at keiretsu partsmakers.

“We’ve put a lot of money into this research.” The salesman underscored this fact.

“Of course. How else could you float your shares in the Upper Division of the Tokyo Stock Exchange as an independent company”?

“Well . . . “.

“How do you suppose you can stay viable in this competitive climate if you don’t bend over backwards to keep up with research and development? You’re just doing what’s necessary.” Only in these situations was TM certain to point out Taisei’s independence.

And the salesman’s clich: “We always take both quality and price into consideration,” ended the negotiation. The unit price for this item, for example, would be settled unilaterally in the neighborhood of five thousand to 5500 yen. Business ethics--let alone the concept of fairness--simply vanished in the process.

For Taisei to take the same product to another automaker--as common sense would dictate--would only add fuel to the flame. TM had already taken apart and scrutinized the unpatented product. If TM didn’t like what Taisei was doing it would simply let another subcontractor make the new unit. Switching partners was also not considered morally acceptable. Stuck in this cul-de-sac, Taisei had only one reality to deal with: the fact that a rival company would sell something for 4500 yen, whereas Taisei needed eight thousand yen.

“I can give you five thousand yen per unit if you want,” TM’s buyer would finally relent.

“I’m sorry, that will put us in the red”.

“In that case, I’ll add 100 yen for your idea”.

“No way”!

“All right. I give in. I’ll add 400 yen for the know-how on top of the 100 yen for your idea; the total will come to 5,500 yen. There, confirmed”! And so it was confirmed.

“Really?” Takao asked, sour-faced.

“This is absolutely true.” Ito answered.

Takao suddenly floored the accelerator. He wasn’t angry so much as humiliated, and he didn’t know where to direct his frustration. “Taka, are you going to kill yourself over
this?” Ito asked straight-faced, watching the speedometer pass 130 km/hr. But he kept on talking.

“Given this price, the engineers’ pride was hurt. Good ones left us for another place where they could use their brains better. Others gave up all hope of creative thinking. Can you blame them”?

Taisei continuously refilled the vacated posts, but its low salary (in fact more than 30% lower than that of TM) made recruitment difficult. The chronic shortage of engineers and the inertia of the remaining engineers fed into each other.

TM preyed on its keiretsu companies in many ways. It introduced new models every four years and made minor modifications every other year. These changes robbed the subcontractors of time to develop new products. The long and the short of it was that the partsmakers were, unbeknownst to themselves, prodded into blindly keeping up with TM’s model changes. New products put them in the red, yet a stable return could not be expected without a tie to TM. The few talented engineers who opted to live with it all gradually fell into a state of passivity. They became preoccupied with the task of meeting TM’s standard. Quality control paranoia blotted out their creativity.

There was also the problem of the metal molds for replacement parts, which cluttered up the warehouses. Because of breakdowns, accidents, or other reasons, replacement parts were sometimes requested for five, eight, or nine-year-old models. So, a mold had to be saved for up to ten years. Even for a single order, the partsmaker would have to make a new mold if the original had been discarded. Regardless of the cost, TM paid 1.3 times the original price for each replacement part.

For the fourth-year model change and the second-year modification Taisei had ended up producing some 80 thousand parts. Averaging five molds per unit, Taisei thus had some 400 thousand items in one warehouse or another. Their sizes varied from small screws to large rubber rings. The finished mold was a lump of iron one meter by one meter and fifty centimeters thick. The mold for the taillight was two-thirds the size of a single headlight. Besides the molds, there were mold pressers. Each of these weighed between eight hundred and twelve hundred tons. At least one press had to be put aside exclusively for spare parts production. The molds and press were stored gratis in Taisei’s factories or those of its contractors and subcontractors. On the average, each of Taisei’s suppliers employed no more than twenty to thirty workers. Some of them had begun to realize that it would be more profitable to get rid of the warehouse, close the factory, and build a condominium on the plot. Taisei was sandwiched between these unhappy subcontractors and Tokyo Motors. Usually, Tokyo Motors showed its keiretsu companies a rough sketch of a new model or remodeled car about two and a half years before marketing it. It expected Taisei to design and produce some sample parts from which it could choose.

The latest trend was toward light-weight cars, partly for environmental reasons. TM’s demand that the weight of parts be reduced by 10% proved harder for partsmakers than a 3% price cut. TM would make every excuse to underfund the research, while being quick
to cart off the research results. An American automaker would have financed the research it demanded from its contractor.

Every new product had to follow TM’s schedule, regardless of the contractors’ situations. Because new molds and presses had to be prepared at least a year before the release of a new model, TM’s mass production started, more often than not, before the price negotiations were settled. The “P” (price) was unilaterally determined by TM post facto. TM used “Q” (quality) as the criterion for criticizing the partsmakers’ products: “badly coated,” “ugly,” “poor lens quality”, and the like. After “Q” came the “D” (delivery)-related admonitions: “You aren’t keeping up with our production pace,” “Your facility is inadequate,” and so on. TM would go so far as to demand a new plant or a new facility. It was only after a severe shakedown of the criteria for P, Q, and D, that “C” (cost) could be determined. What little profit Taisei salvaged from one streamlining after another was snatched away again by TM at the biannual price-cut negotiations.

Another source of terror was the weak market performance of a new model. Suppose the price of each part was based on an estimated sale of 200,000 cars a year--although the cars were usually produced by the week, adjusting the volume of production to market demand--and TM managed to sell only 100,000 units. Taisei would state their loss at the biannual price negotiations, but TM would remind Taisei that “you are an independent industry. You can’t appeal to your customer’s mercy on a thing like this. You’ll just have to work it out on your own. That’s what being independent means.”

**** A labor shortage, a phenomenon unique to Japan, stimulated a variety of countermeasures. The United States was overflowing with jobless people; Germany had added several million unemployed since its unification. In Japan, recruiting served no purpose. Plants would have to shut down if they waited for workers to come. Mechanization was the only recourse. And the equipment makers interpreted this supply and demand principle in their own way--i.e., the faster they developed new high-tech models, the more demand they could cultivate.

The situation showed another face to the partsmakers, however. To start up, a plant would have to purchase new equipment. But before long, better equipment would be invented using semi-conductors and other totally innovative systems, completely changing the fundamental functions of production. Hence partsmakers found themselves willy-nilly in an equipment upgrading war, as their only solution. Their problem was that the capital investment preceded the economies of scale.

The market did not let Taisei stay outside this battleground no matter how ill-equipped it was. Taisei tried for the highest efficiency gains as best it could. The reasons why Taisei issued a four billion yen convertible debenture in 1975 was that it had exhausted all its possibilities for bank loans. Taisei needed additional capital three years later. The issuance of another set of domestic bonds was not feasible. Shigeya [the owner/president] made tireless trips to various financial institutions and decided to issue overseas bonds. Taisei would sell 50 million dollars’ worth of bonds in Switzerland.
Shigeya pinned his hopes on the chance that the overseas bonds might attract enough new shareholders to water down TM’s shareholding ratio below 20%. If the purchasers of the overseas bonds used their privilege to convert them to shares of stock, they could dilute the holding ratio of previously floated Taisei stock. A strategic selling of the bonds could rescue Taisei from TM’s regulations. One price cut, rather than two per year, would help. But again, such a maneuver raised the threat of losing TM’s business altogether--TM would not be obligated to deal with non-TM Group members. The loss of 55% of its income would translate into the worst crisis Taisei had experienced since its founding.

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As readers of the novel will discover, Taisei President Shigeya has a lot more to worry about than the attractiveness of his bonds to foreigners. He will in fact lose control of his family-owned company through the machinations of Tokyo Motors.

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**Tom Clancy’s Debt of Honor**

by Sheila K. Johnson

In October, 1994, as Japan was revelling in its second Nobel Prize for literature, and the U.S. was sending forth its troops to Haiti and the Persian Gulf, one might be excused for wondering whether these two countries were about to become, respectively, the Athens and Sparta of today.

Tom Clancy’s latest U.S. best-seller, *Debt of Honor*, lends further credence to this notion. Clancy’s novel deals with a narrowly averted all-out nuclear war between the U.S. and Japan that begins with a wholly plausible scenario.

Some improperly galvanized gas-tanks manufactured in Japan and shipped to a Japanese-owned auto-plant in Kentucky explode in the course of a highway accident and cause the deaths of six Americans. Somewhat prior to this an American manufacturer of a supposedly superior gas-tank has been stonewalled during negotiations over greater American access to the Japanese auto-parts market.

The Congressman from the American gas-tank manufacturer’s district sees a chance to make a point and introduces--to wild public and Congressional applause--the Trade Reform Act, under which Japanese imports into the U.S. will be accorded exactly the same treatment that American imports into Japan receive.

Japan’s well-paid Washington lobbyists (and Clancy is bitingly funny and accurate about this breed) are powerless, the huge freighters delivering Japanese cars to American ports ride at anchor as the cars are inspected one-by-one, and Japanese stocks collapse as manufacturers realize their main market is closing.

At this point one might assume that Clancy is advocating the U.S. should adopt a get-tough trade policy in order to overcome its burgeoning trade deficit with Japan. But wait. We are only about one-third of the way through Clancy’s plot. By giving the Japanese a taste of
their own economic policies the U.S. pushes them too far. Just as in 1941, when the Japanese felt cornered by the U.S.'s oil and trade embargoes and launched their attack on Pearl Harbor, in Clancy's novel they retaliate by crippling the U.S.'s Pacific Fleet, paralyzing its financial markets, reoccupying Saipan and Guam, and threatening it with a secretly acquired nuclear capacity.

The rest of the novel (another 400 pages or so) deals with clandestine CIA operations, cooperative (even sweet) Russians, duplicitous Chinese (and South Koreans), good-Japanese-politicians-versus-bad-Japanese-politicians, a highly-placed American turncoat, and feats of military derring-do. In the end, a full-scale war between the U.S. and Japan is narrowly averted, although not before a kamikaze-like 747-pilot dives his airplane into the U.S. Capitol, killing most of Congress and the President. (In light of the last election, in which many Americans revealed their disgust with both Congressional gridlock and Clinton's policies, this Gotterdammerung-style ending may be a case of real wish-fulfillment for both the author and his readers.)

But the chief message of Clancy's book is that the U.S. must strengthen its military capability. He is full of belly-aching about the underpowered navy, particularly its aircraft carriers and fighter airplanes; and he is still very high on the importance of the CIA, even in the post-Cold War era. So his novel reinforces traditional conceptions of American power based on military might, rather than dealing with the industrial underpinnings of such power. When it comes to difficult trade negotiations with the Japanese, Clancy's advice seems to be to give in, because otherwise they may "go ballistic," both literally and figuratively.

The Americans seem to have taken Clancy's advice at last fall's trade negotiations, which were an exercise in avoidance behavior on the part of both sides. And one wonders whether Assistant Secretary of Defense Joseph Nye has also been reading Clancy closely in formulating the U.S.'s new Asian defense posture, which visualizes an American military presence in Asia for the next twenty years.

But one of these days, when the full import of the annual U.S. $60+ billion trade deficit with Japan registers with the American public, it may well be the U.S. that will "go ballistic." At that point the Japanese will surely use their economic clout to threaten (or "discipline") the U.S. rather than vice-versa. For example, neither the reviewers of Clancy's novel, nor Clancy himself, seem to have noticed that his publisher, G.P. Putnam's Sons, is actually owned by Matsushita. So far Matsushita seems to be concerned primarily with the profitability of its American entertainment holdings, which one of its executives has described as "a beautiful and tasty apple." But once nationalism enters the picture, Putnam's and Clancy-type novels may not seem quite as tasty to the Japanese.

Clancy's novel is disturbing not because it engages in "Japan-bashing" (it actually attempts a rather even-handed, multi-faceted portrayal of the Japanese), but because its best-selling status in the U.S. is a sound indicator of this country's Sparta-like proclivities. However, when the moment of truth arrives, the U.S. may discover that--unlike in Clancy's novel--playing Sparta in the Pacific is not as easy as it was in Haiti or the Persian Gulf. And as in
that long-ago confrontation between Sparta and Athens, a third party (in this case, the Chinese) may be the ultimate winner.