In Defense of the Other Side

By Bill Emmott
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Reviewed by
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In the 1980s, Americans came to regard the Japanese as either Superman or Lex Luthors. They were invincible and omnipotent, their economic efficiency overpowering and unbeatable. Else they were wicked, predatory in their exports and exclusionary in their imports, and deserving of "special treatment" in the form of such measures as the Clinton Administration's "managed trade" demands. Their apparent geniality and deference of manner, in the latter view, concealed a malign intent: They bowed low only to cut you off more easily at the knees. The dual images of power and perfidy added up, in our nation's popular imagination, to the obsessive envy and fear that define Japanophobia.

The 1990s, however, have seen the Japanese economic juggernaut grind to a halt. As Bill Emmott, editor in chief of the Economist, reminded us with the title of his well-received previous book, The Sun Also Sets. Today we are booming by contrast with Japan's recession. The Superman part of the equation is therefore at a discount, but the Lex Luthor part persists in full measure.

Emmott's new book, Japanophobia, is a useful corrective to both stereotypes. It solidly debunks the myth of Japan's invincibility and also attacks the notion of its viciousness, though with less fanfare and emphasis. Both arguments are made by analyzing Japanese direct investments abroad during the '80s and early '90s.

The author grounds his overarching and illuminating review of the subject in case studies of recent high-profile Japanese ventures. These show dramatically the folly the Japanese are capable of; there can be no doubting they belong to the human race. Two examples in particular catch the eye: the entry of Sony and Matsushita into Hollywood, and Bridgestone's takeover of the Firestone Tire and Rubber Company.

In a chapter aptly titled "Mugged in Hollywood," Emmott recounts the story of Sony's 1989 purchase of Columbia Pictures for $3.4 billion and Matsushita's purchase of MCA, the owner of Universal Studios, for $6.1 billion the next year. The two megacorporations were literally "taken" by the operators, duped into dishing out ever larger sums to "local American advisers." They were playing in a sport quite alien to them, Emmott observes: "When Japanese firms operate factories abroad, they act as teachers, bringing in their superior manufacturing methods. In the entertainment business it is different. The Americans are the teachers and the Japanese are the students." Indeed, their tuition has been very expensive, and to date neither Sony nor Matsushita has managed to turn a decent profit on those investments.

The story of Bridgestone's 1988 takeover of Firestone in Akron, Ohio for $2.6 billion is equally revealing. Japanese companies, Emmott finds, rarely buy other firms, preferring to build their own plants from the ground up. Bridgestone, in following the American takeover model, committed a critical "cultural" error that an American firm would never have made: It failed to fire at the outset the large numbers of redundant employees in Firestone's bloated worldwide operations. Struggling to boost productivity, the new Japanese executives feverishly attempted to upgrade equipment. Thus Bridgestone—which had oustid Pirelli's by 30 per cent for the takeover, cushioned by Japan's boom and its soaring stock market at the time—soon found itself pouring an additional $3 billion into the acquired company, and it has spent more since. The enormous investment may yet prove marginally profitable—in fact that seems to be the case at present, due to the American auto industry's comeback. But it is unlikely ever to yield a normal rate of return.

Just as he shows the Japanese are not Superman, the author convinces us they are not all Lex Luthors either. Prejudice tends to assume the failings of its victims are singular and presents their venalitY as unique. Emmott cites evidence of a similar attitude in many of the frequent critiques of Japan's business practices, although if put into historical and comparative perspective, much of what is being criticized falls well within the "normal" range.

Take the complaint that Japanese multinationals with plants in the United States buy from their own—that is, import components from Japan rather than use local suppliers. Emmott points out that when foreign firms invest in a country primarily to get around trade barriers against finished vehicles or other finished products, they import as many components as they can to minimize using more expensive local components. This is economically rational behavior: American operations have done the same—and drawn criticism—in poor countries that set up such barriers to attract foreign investments. Since Japan's exports are subject to greater U.S. trade restrictions than those from other countries, it should come as no surprise that Japanese ventures exhibit higher imports-to-local-content ratios than other foreign companies.

In similar fashion, Emmott finds American parallels for many of the complaints against Japan's business practices. The Japanese, for example, don't employ local managers. Well, what did we do when we started to expand overseas? Even today, Emmott notes, Michael Lewis says of Salomon Brothers' John Gutfriend in Liar's Poker: "It never occurred to him that anyone would manage his London office but Americans."

It is ironic that an Englishman should chide us for our prejudices. After World War II, Europe's mood toward Japan was hostile and its fear of Japanese competition was real: Europeans refused to let Japan into the General Agreement on Tariffs and Trade (GATT) until 1955. Back then we were the generous victors, strong
and visionary. But in the 1980s, our vociferous "revisionists" nearly regressed us to a socially tolerable form of the Japanophobia that wrecked the West Coast in the ’80s.

The legacy of this revisionism was evident in the failure of the February summit meeting that brought then Prime Minister Morihiro Hosokawa to Washington. President Clinton and his aides, having worked themselves up into an aggressive posture, pursued two “principles” that virtually no distinguished scholar of international trade in the world supports. First, they demanded that Japan accept numerical benchmarks and targets for imports in several sectors—what economists call “managed trade.” Second, they proceeded on the political assumption that the U.S. could continue to define its trade relationship with Japan asymmetrically: by threatening retaliation if American requests were not heeded, instead of by offering the incentive of reciprocal concessions, as with other trade partners.

Each of these key components of the Clinton trade policy reflects a view of Japan as a bizarre or “special” nation outside the framework of “normal” economic behavior and discourse—an “outnation,” to borrow the description by journalist Jonathan Rauch that is the title of his brilliant and sympathetic short book published two years ago. Hosokawa, especially since his country is moving toward internal political and economic reforms, firmly rejected the notion that its alleged “exceptionalism” could any longer be the basis for trade negotiations with the United States.

The new Japan is intent on removing the last vestige of its counterproductive industry regulation under its own steam, not under Washington’s threats. It also respects having the U.S. government serve as plaintiff, judge and jury for allegations by American industries that Tokyo has “nullified and impaired” treaty-established conditions. If there are trade complaints against it—and certainly there are many legitimate ones, as is true of virtually every country including our own—it wants them to be settled in the multilateral, symmetrical fashion that has become the practice among trading partners.

All this was plain for everyone to see—except, apparently, the Clinton Administration. The summit, therefore, was doomed to merely confirm the ineptitude of the U.S. approach. Our trade relations with Japan cannot assume any degree of normalcy until we finally accept it as a country that must be allowed to play by the rules the trading nations of the world have set for themselves. The question now is whether President Clinton will recognize this, or persist with the bluster and threats that bode ill for the nearly half-century-old U.S.-Japanese amity. Bill Emmott’s book could help point him in the right direction.

A Journey of a Thousand Opinions

School Choice: The Struggle for the Soul of American Education
By Peter W. Cookson Jr.
Yale.
174 pp. $20.00.

Reviewed by Edward T. Chase
Writer and book editor

Peter Cookson’s book appears at a time when one of this country’s most excruciating problems, the plight of its children, is growing worse. In the world’s richest nation, a quarter of the population under age six now lives in poverty—twice the rate for adults. Virtually every other indicator of young America’s condition is equally dismal: Infant and child death rates are high; the birthrate is declining; and among teenagers there is an alarming prevalence of single motherhood, school drop-outs, unemployment, violent crime arrests, and violent deaths. If maintaining the well-being of children is a key test of a society’s character, America is flunking it.

Against this backdrop, School Choice focuses on a particularly divisive question concerning the education of our 40 million students: Should parents and youngsters participate in selecting a public school and, if so, in what manner? So central is this issue to the debate over school reform that Cookson’s subtitle, The Struggle for the Soul of American Education, is hardly an overstatement. A war of ideas is under way, and it is being waged on many fronts.

An able reporter and analyst as well as an experienced educator, Cookson calls his research “a journey of at least a thousand opinions.” He notes that “school choice” is a broad catchphrase: “One cannot be for or against [it] in general, one can only respond to specific plans.” The major types he sees are “intradistrict choice”; “open-enrollment interdistrict choice,” sometimes covering an entire state; “controlled choice”—that is, freedom to select a school within a given area, restricted by considerations of its racial, gender and socioeconomic balance; and “magnet schools,” offering specialized programs usually designed to maximize integration.

Other schemes embrace the concept of privatization. Publicly sponsored “charter schools” are independent of direct government control, but accountable for reaching prescribed levels of student achievement. Voucher plans entail government payment of a fixed amount per child and extend choice to private schools. A variation would offer tuition credits against parents’ income tax if their child attends a nonpublic school.

The differences among school systems themselves, of course, are enormous. One of the book’s strengths, despite the author’s clear penchant for grappling with the debate’s philosophical underpinnings, is its detailed descriptions of specific situations. It dwells at length, for instance, on the famous Community School District 4 in East Harlem and its flagship Central Park East Secondary, whose high graduation rates have made it a favorite model for choice advocates. He points out, however, that there “change preceded choice”: District 4 received a great deal of outside funding that made possible innovations not feasible elsewhere.

Of the many cases Cookson looks at, he singles out two for direct comparison: Miltona Science Magnet School in tiny

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