

# THE WAGES OF AFFLUENCE

LABOR AND MANAGEMENT IN  
POSTWAR JAPAN



ANDREW GORDON

# The Wages of Affluence

*Labor and Management in Postwar Japan*

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*For Jennifer and Megumi*

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## Prologue

I began work on this history of labor and management in postwar Japan during the heady years of the “bubble economy” of the late 1980s. This was a moment when a commentator on National Public Radio described the astonishing spectacle of wealthy young Tokyo-ites downing sushi wrapped in gold leaf at \$40 per slice, and business reporters in the United States marveled at the stunning performance of the Japanese economy. They often explained this performance as a result of the remarkably productive and harmonious system of industrial relations in Japan, a land where efficient and cooperative teams of men and women apparently worked long hours with little complaint. Many observers in the United States, echoed by an ever more confident chorus of boosters in Japan, argued that flagging economies worldwide could be rescued by adopting the Japanese model of industrial relations. Two assumptions lay behind these attitudes: that the Japanese economy was more dynamic and more productive than those elsewhere; and that Japanese workplaces were kinder and gentler places for employees.

Reacting to these assumptions, I examined the recent history of labor and management in Japan in a contrarian frame of mind. Japanese practices of labor-management relations did offer some important competitive strengths to managers. But it did not follow that working for these corporations was an enviable fate. I discovered—and determined to explain—the oppressive political and ideological processes that enabled the Japanese system of “cooperative” labor-management relations to emerge and to endure. At the same time, I hoped to rescue from oblivion the alternative initiatives and visions that did not prevail. The historical evidence undermined the common wisdom of the 1980s that employees can only benefit by emulating a

Japanese model said to offer the best of all possible worlds, a glorious future of flexibility, harmony, and cooperation.

Then the bubble burst. The Tokyo Stock Exchange crashed, Japanese land prices fell sharply, the GNP stopped growing, and from 1991 to 1994 industrial production in Japan actually fell by about 10 percent. The chorus of praise for Japanese management turned flat as pundits announced that dramatic "restructuring" was the order of the day. Japanese executives told us that existing managerial practices, including systems of labor relations, had to be transformed. Profound changes were predicted: lifetime employment was about to vanish, and seniority-based wages were following the dinosaur into oblivion. Far from being a status symbol of international envy, Japanese capitalism came to be seen as a clunky vehicle needing total overhaul. The sandy foundation of "the present" had shifted under my feet; Americans no longer needed convincing to view the Japanese economic system skeptically. In fact, they needed to be reminded that a political and economic system deeply rooted in modern history was unlikely to evaporate and was probably not entirely dysfunctional.

A history of labor and management in postwar Japan is in fact worth reading in times dominated by exaggerated prognostications of doom as well as times, certain to recur, of uncritical praise for an enduring Japanese system. The postwar history of the Japanese workplace told in this book contradicts the 1990s common wisdom of Japan-dismissal. It refutes rash predictions of the demise of long-term employment and other Japanese modes of organizing the workplace. At the same time this book contradicts the older conventional wisdom of Japan-veneration. It shows that the Japanese model owed as much to coercion as to happy consensus. My investigation of the past took place during two very different present moments, and it highlights the theme of the tension between capitalism and democracy. Managers and workers in postwar Japan created a dynamic economic system to mobilize the energies of workers on behalf of production and profit. In so doing, they undermined the democratic potential of postwar society.

The story is grounded in a close-up analysis of a single steelmaking complex in postwar Japan. I show that a system of so-called cooperative labor-management relations was established in Japan from the 1950s through the 1960s in a turbulent process, a postwar contest for the workplace. I expect most readers will be surprised at its intensity.

The early chapters explore trails partially blazed during this contest but ultimately not taken. They recreate a world of shop-floor activism in which organized workers raised serious challenges to an uncertain corporate hege-

mony, pursuing goals that demand attention and respect even if they were only achieved in part. These chapters also begin to describe the road eventually taken. I try to explain why "cooperative" labor-management relations prevailed. Why did the turbulent era of nearly two decades' duration after World War II give way to an enduring hegemony of the corporate-centered society? Answering such a question requires attention to the historical roots of the Japanese industrial relations system and constitutes one reply to predictions of its imminent demise.

Explaining this durability is at least implicitly a comparative task. The postwar history of workplaces in Japan has much in common with Euro-American histories, but it is more than a variation on a Western theme. In Japan's workplaces of the past fifty years, tensions that elsewhere erupted into political, economic, or social crisis were contained to an unparalleled extent. Since the 1960s the hegemony of the corporation has been more durable and less profoundly challenged in Japan than in any of the other major industrial nations. At several points I compare Japan to Europe and America and suggest what might account for the durability of the Japanese hegemony, or the fragility (or contentiousness) of labor-management relations elsewhere.

A history of the Japanese contest ultimately raises the difficult matter of assessing the mixed legacy left to later generations in Japan and around the world. Carving out spaces of dignity and security in a world of huge organizations devoted to efficiency and profit has not been easy for people in Japan; but one is hard pressed to identify anyplace where it has been easy. The Japanese experience offers no easy answers, but a cautionary, in some ways familiar, tale of trade-offs and hard choices in a difficult world. The fate of both victors and vanquished in the contest for the Japanese workplace contradicts a simplistic view of workers in Japan as uniquely exploited, working furiously for long hours while living in cramped apartments in distant suburbs. But the outcome of this contest also challenges those who would idealize the Japanese model. Working people had to compromise institutions of democratic self-determination in pursuit of the wages of affluence.

# 1 *Japan Reborn*

On August 15, 1945, the Emperor of Japan stunned his subjects with a radio broadcast announcing the nation's surrender to the Allied forces. Eight years earlier Japan's rulers had launched a full-scale war in China. They had exhorted the Japanese people endlessly to sacrifice for the sake of a great and certain victory to liberate Asia from the tyranny of the "British and American devils." In the name of Greater East Asian Co-Prosperity, countless millions had been killed throughout Asia and three million out of seventy million Japanese people had perished. Despite his stilted language, Emperor Hirohito made it clear that the most destructive war in history was over, and Japan had been utterly defeated. Many Japanese later recalled that August noon as an instant of rebirth, a moment when past experience and values were discredited and a totally new course, both personal and national, was to be charted. In the years that followed, in an unprecedented context of crisis at home and reform imposed from outside, millions of people struggled to realize new visions of equality and democracy.

Nakamura Kōgō's remembrance of August 1945 powerfully invokes just such a story of postwar democratic commitment. Nakamura was born in 1924 in a village in Miyagi Prefecture in Northern Japan. After elementary school, he came to Tokyo in 1938. He attended an industrial high school with funds sent by his father, a clerk at the village office. His studies were interrupted first by the labor draft that pressed him into service in a munitions factory, and then by the military draft. Hired by the NKK steel company in 1947, Nakamura soon became a union activist. He tells an archetypal tale of rebirth, polished in the frequent retelling and shaped by the shared language of postwar Marxists and modernists.<sup>1</sup> At the time of surrender, "the emperor system that had enveloped me and all of Japan was

exposed. A brand new era began. Democracy was an entirely new experience and concept. August 1945 was a new departure for me, spiritually and ideologically. I felt that way then, and I still feel that way now" (1991).<sup>2</sup>

Although Nakamura recalled democracy as an "entirely new experience" of the postwar era, many other prewar Japanese, from intellectuals and journalists to factory laborers and tenant farmers, had accumulated important experiences with democratic practice from the late nineteenth century to the 1930s. The reforms of the Allied occupation enabled such activists to regroup and join hands with novices such as Nakamura. They vastly expanded the constituencies supporting a democratic and egalitarian political system.

A fearful experience of deprivation gave special urgency to these new endeavors. For several years after the war, millions of Japanese faced starvation. Thousands indeed starved to death.<sup>3</sup> Atomic bombs had destroyed Hiroshima and Nagasaki, and virtually every other major city had been devastated by firebombs. Inflation surged out of control. Companies found it more profitable to sell raw materials on the black market than to process them, so much of the industrial plant that had survived stood idle. One American recalled that "for four years after the war, the great inflation hung over Japan like some immense, brooding presence. . . . By 1949, when inflation was finally contained, the price level had risen 150 *times* in four years." Workers crowded onto trains for the countryside to barter kimonos for cabbage, and "shedding clothes to buy food was first compared to the snake's shedding of its skin, then to the peeling of an onion, because it was accompanied by tears."<sup>4</sup>

By the spring of 1946 poor harvests and a paralyzed rationing system had produced a serious urban food crisis. The average household spent 68 percent of its income on food in 1946, and the average height and weight of elementary school children decreased until 1948.<sup>5</sup> Ordinary citizens joined unions and the parties of the left in taking to the streets. In Tokyo, hundreds of thousands jammed the plaza in front of the imperial palace, demanding rice and democracy on May Day 1946 and again on a so-called Food May Day demonstration two weeks later. Smaller groups attacked former military storehouses in search of rice. Decades later, older Japanese watched with pained memories the numerous TV specials on the postwar march from poverty to prosperity, which predictably began with 1945–46 scenes of massive demonstrations and emaciated youths with distended bellies. The young watched in disbelief and embarrassment: "This doesn't seem like my country," they would say; "it looks like Bangladesh."<sup>6</sup>

The United States governed Japan for seven years, acting through the offices of General Douglas MacArthur, the Supreme Commander for the

Allied Powers (or SCAP). The acronym refers to both the man and his organization. Until 1947 SCAP was singleminded in pursuit of its mission to demilitarize and democratize Japan. It was only slightly concerned by the failing economy. It welcomed, or at least tolerated, much of the popular activism. Members of the old guard in Japan battled to retain their authority. They were led by a canny and strong-willed career diplomat named Yoshida Shigeru, who viewed the American revolution from above with alarm and anger. He and his colleagues charged that SCAP had been taken over by communists, and Yoshida is said to have once asked MacArthur directly if he intended to "turn Japan Red."<sup>7</sup>

Prime Minister Yoshida first tried to stimulate the economy through subsidies. He and his predecessor, Shidehara Kijurō, paid out huge sums to businesses for outstanding war contracts, expecting the latter to invest for peacetime production. Businesses instead used the payments to hoard and resell scarce raw materials whose value was climbing sharply with inflation. Under American pressure, the government finally halted the subsidies by the autumn of 1946, but production continued to decline, while inflation rose. To head off an impending crisis, the government worked out a more carefully focused Priority Production subsidy program. This funneled capital and materials to the coal and steel industries, and it enjoyed some success by 1948. The crisis of shriveling production and soaring inflation had been averted, although the economy stood on shaky ground until the 1950s.<sup>8</sup>

Economic crisis coupled with fears and hopes for revolution was by no means unique to Japan at this time. The Communist Party was moving toward power in China. In Europe, a respected observer in late 1945 pronounced that believers in "the American way of life—that is, in private enterprise" were "a defeated party."<sup>9</sup> Only in retrospect is it clear that such predictions misread the ability and willingness of the United States to underwrite recovery and find allies in a project of more modest reform. As the Americans moved in 1946 and 1947 toward such a role in Europe through the Marshall Plan, their shifting policies similarly defined the context for the strivings of people in Japan.

The Americans sent a clear initial message that democracy should be the cornerstone of a new Japan. The core reform was a constitution. This was drafted by a committee of occupation officials in the winter of 1946, vigorously discussed and ratified that spring in the Imperial Diet (still in existence until the new constitution replaced it), and promulgated that November, to take effect in May 1947.

The postwar constitution downgraded the emperor from absolute monarch to a "symbol of the State and of the unity of the people." It granted to the people of Japan an array of "fundamental human rights" that included the civil liberties of the American Bill of Rights, such as freedoms of speech, assembly, and religion. It then boldly extended the concept of rights into the social realm. The new constitution guaranteed rights to education "correspondent to ability" and to "minimum standards of wholesome and cultured living." It assured the right (and obligation) to work, to organize, and to bargain collectively. It outlawed discrimination based on sex, race, creed, social status, or family origin, and it gave women explicit guarantees of equality in marriage, divorce, property, inheritance, and "other matters pertaining to marriage and the family." Finally, its Article 9 committed the Japanese people to "forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes."

Japanese elites were stunned by these sweeping guarantees, especially when the Americans insisted that the Japanese government present them to the people as the government's own recommendation; but the draft document met an enthusiastic popular response. As officially sanctioned goals or ideals, its ambitious provisions framed the discourse and institutions of contemporary Japan.

SCAP reformers went well beyond redesigning the basic law of the land. They disbanded the oppressive "thought police" and for a time decentralized the national police force. They disestablished the official state Shinto religion. They freed Communist Party members from jail. Indeed, they allowed a greater range of political expression than was possible in the United States at the time. They attacked the sprawling business empires called *zaibatsu*, taking away ownership and control from holding companies dominated by the *zaibatsu* families (Mitsui, Sumitomo, Yasuda, Iwasaki, Asano, and others) and breaking up some of the larger firms. They encouraged and advised unions, and at first they welcomed the extraordinary drive of organizing and strikes. They imposed a program of land reform that revolutionized the distribution of social and economic power in rural Japan, essentially expropriating the holdings of landlords and creating a countryside of small family farms. These sweeping measures changed the climate of ideas and the distribution of economic and social power, and a fever of democratization swept Japan. The projects of democracy and equality were understood in extremely expansive terms by their advocates; they meant far more than voting and land reform. They implied to many—and this was both promise and threat—a remaking of the human soul. Talk

of renovating and remaking and transforming echoed throughout Japan, and one heard it clearly in the workplace.

Scattered labor organizing began within weeks of the surrender, and this effort surged forward when the Americans announced their support for unions in October 1945. Union membership rose from about 5,000 in October to nearly 5 million by December 1946, over 40 percent of the nation's adult wage earners. Fueled by the deprivation and anger of masses of workers, union activists were militant in their tactics and often radical in their goals. Through June of 1946, 157,000 newly organized men and women engaged in 233 instances of "production control." They locked out managers and ran factories, railroads, or mines on their own when demands for wages and the democratization of the workplace were denied.<sup>10</sup> This tactic usually won the union its demands, and it had revolutionary implications. Workers were challenging fundamental notions of private property and managerial authority.<sup>11</sup>

However close the workers were to launching a revolution, they were not close enough to overcome American opposition. The occupiers had attacked the old order with radical reform to root out what they called feudalistic militarism, but they sought to remake the nation in their own image as a capitalist democracy. In May 1946 SCAP condemned production control as well as mass demonstrations such as the Food May Day. A newly confident Japanese cabinet suppressed further takeovers. Production takeovers fell from roughly 50 events involving over thirty thousand workers each month in the spring of 1946 to about 25 monthly actions involving five to six thousand in early 1947.<sup>12</sup>

Labor was forced to change tactics, but the enthusiasm for organizing was not dampened. People in Japan were straining to define the meaning of their postwar democracy in a shifting international and domestic context. Their efforts made the fifteen years after World War II a uniquely contentious era marked by a battle of ideas as well as work stoppages.

In the 1940s and 1950s, the dominant position among workers active in labor unions was a radical one. Their ultimate political goal was a socialist revolution. They saw unions allied to either the socialist or the communist party as the most important building blocks of a new society. At the industrial level, these unionists initially joined the Sanbetsu federation (Zen Nihon *Sangyō Betsu Rōdō Kumiai Kaigi*, or Japan Council of Industrial Labor Unions), dominated in both its national councils and plant unions by the Japan Communist Party. When Sanbetsu collapsed, they joined in creating the Sōhyō federation (Nihon rōdō kumiai *sōhyōgikai*, or General Coun-

cil of Trade Unions of Japan) in 1950. They typically demanded large annual pay increases indexed to the cost of living and reflecting employee needs. Through activism at corporate headquarters and in the workplace, union leaders sought veto power over personnel decisions and a voice in day-to-day operation of firm and factory. In short, they challenged the legitimacy of the managerial chain of command.

A second important position was that of the venerable Sōdōmei federation (*Nihon Rōdō Sōdōmei*, or Japan Federation of Labor), founded in 1919, which carried the message of the cooperative wing of the prewar labor movement into the postwar era. In name and in ideology, Sōdōmei resembled the mainstream of the postwar union movement in the United States. Its member unions accepted the basic framework of a capitalist society and saw their role as the defense of workers within it. While their goals were not revolutionary, Sōdōmei tactics could be militant. Their leaders argued that labor and management had a common general interest in making a capitalist system viable, but that predictable differences separated the two sides, though these differences could normally be settled through good-faith bargaining.

After the production control movement was suppressed, thousands of unions in both these camps shifted to more conventional tactics. They won huge wage increases and contracts, giving them a substantial voice in matters previously reserved to managers. The Sanbetsu federation led this drive, which culminated in the 1946 "October struggle" of over 100 strikes involving 180,000 workers nationwide. These actions won guarantees of job security and wage systems designed to reflect employee needs. Then, the unions in both Sanbetsu and the rival Sōdōmei federation, spurred by popular fury over economic collapse and the complacent policies of the Yoshida cabinet, joined hands to plan a national general strike of about 6 million workers, public and private, for February 1, 1947. In the weeks building to the strike, the members of the Sanbetsu-Sōdōmei Joint Struggle Committee, dominated by Communist Party leaders, believed themselves on the eve of revolution.

Their hopes proved false. At the last moment, on the afternoon of January 31, MacArthur ordered the Committee leaders to call off the strike. This was a giant step in the American turn from agent of antifeudal revolution to supporter of capitalist recovery. Realizing the rank and file would not defy MacArthur, the strike organizers complied with the ban.<sup>13</sup>

Despite this debacle, unions remained vigorous over the next three years. Just six days after the aborted February 1 strike, Sanbetsu, Sōdōmei, and the

Keizai Dōyūkai, a new organization of reform-oriented capitalists, formally launched an Economic Recovery Council. This provided a new framework for unified labor activity. Strikes were still numerous, workers continued to organize new unions, and the unionized proportion of the workforce continued to rise to an all-time peak of 56 percent in 1949.

But as the Japanese idiom has it, the two union federations were “sleeping together but dreaming separately.” The Economic Recovery Council collapsed after just over one year. Despite continued growth, by mid-1948 the labor movement was on the defensive. In July 1948, MacArthur advised the Japanese government to revise its labor laws, and the Yoshida cabinet eagerly obliged with a new law that denied public sector unions the right to strike. In 1949 SCAP implemented the Dodge plan (named for its architect, American industrialist Joseph Dodge) to promote recovery through an extremely austere fiscal and monetary policy. Tight money and state pressure on firms to restrain wage costs led enterprises nationwide to dismiss thousands of workers, and provoked numerous, invariably unsuccessful acts of union resistance. In June 1950, Americans directed the Japanese government to fire over 12,000 union activists identified as Communist Party members or sympathizers, and Japan’s rulers happily complied. By the end of 1950, the number of union members had fallen from 6.7 million to 5.8 million, and the unionized proportion of the work force had dropped by nearly 10 percent.<sup>14</sup>

Japan’s unions gradually regrouped once more, building toward a peak of confrontation at the end of the decade. The newly founded Sōhyō union federation surprised Japanese critics and dismayed occupation officials, who initially expected the group to become a cooperative, noncommunist alternative to Sanbetsu. Sōhyō instead came to support the left wing of the socialist party in national politics, aggressive wage bargaining at the industrial level, and militant day-to-day actions in the workplace.

Corporate managers faced with this varied and vigorous labor insurgency were divided in their response. Some hard-liners never came to terms with the occupation reforms; they continued to treat unions as a threat to be suppressed.<sup>15</sup> Others, particularly in firms with relatively unchallenged monopolies in an industry, for a time made their peace with radical unions.<sup>16</sup> But the majority of Japanese managers groped their way toward a strategy of attacking such unionists and nurturing their cooperative opponents, who could help them manage the workforce. As they did so, they helped bring to power a third major stream of postwar unionism.

This was a revised cooperative position that emerged in the 1950s and