

Progressive capitalism, crisis, and class struggle:

Lessons from Japan's production control
and democracy movements, 1945-47

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Despite the recent upsurge of global economic instability and anti-capitalist protest, many left economists and progressive policy programs continue to draw their main inspiration from the purported equity and efficiency of particular varieties of capitalism. This tendency derives its legitimacy in large part from 'progressive competitiveness' interpretations of the postwar Japanese experience. Unfortunately, these interpretations and the politics they encourage are based on a faulty understanding of Japanese history. To help correct this bias, we revisit the struggle to reshape the Japanese political-economy immediately after World War II. During this period, Japanese workers—under highly repressive and economically difficult conditions—responded to a severe capital strike by taking direct control over important sectors of production and posing a new vision of worker-community based democracy. We examine the development of this popular effort to remake Japanese society and the causes and consequences of its eventual defeat. We conclude by highlighting lessons from this period for contemporary anti-capitalist struggles.

The apparent global triumph of neoliberal capitalism in the 1980s has been followed by renewed economic instability and anti-capitalist protest. While financial crises savage both economic basket cases (Russia, Mexico)

and erstwhile economic ‘miracle’ countries (Japan and East Asia), new worker-community movements have sprung up to resist the marketization of economic and social life. From the Chiapas rebellion in Mexico, to the December 1995 public-sector explosion in France, to the mass actions against the WTO (Seattle, Fall 1999) and the IMF/World Bank (Washington DC, Spring 2000)—just to name a few—workers and communities are increasingly contesting the priority of capitalist profitability and competitiveness. The eruption of these struggles signals that the resistance to capitalist globalization is itself becoming globalized, thereby raising the question ‘What next?’

Yet often the best answers progressive economists can come up with involve relatively minor reforms of the system such as transaction taxes in international financial markets; greater openness and formal democracy in the decision-making procedures of the WTO, IMF, and World Bank; or—at the very most—a one-time write-off of Third World debts. For the most part, such programmatic proposals seem designed to make capitalism more equitable, stable, and efficient. That popular disquiet with capitalist institutions might itself contain a potential movement toward alternative, non-capitalist forms of socio-economic organization is rarely considered. In short, the widespread failure of left economists to formulate policy alternatives that directly challenge wage-labor relations *and* the dominance of ‘market forces’ (or even to seriously consider the connections between these two core features of capitalism) seems to complement their inability or unwillingness to develop political-economic visions directly informed by popular anti-capitalist struggles. How is this political-intellectual conjuncture to be explained?

We believe a primary cause of this failure is the prior embrace by many center-left and left economists of ‘progressive competitiveness’ thinking. Responding to the growing power of neoliberalism and the increasingly conservative political climate of the 1970s and 1980s, many left-of-center economists made a fateful decision to begin framing political-economic analyses and policy alternatives in more ‘market friendly’ terms. The idea was to fight neoliberalism by demonstrating that pro-worker policies could not only be more equitable and socially efficient, but also enhance the competitiveness of a country’s enterprises in the global marketplace.

As usefully recounted by George DeMartino (1996), this intervention of left-wing thinkers into ‘competitiveness

policy' debates had three key features. First, unlike previous 'industrial policy' thinking, with its emphasis on the need to protect workers *from* market forces, the new progressive competitiveness paradigm argued that labor's work and living conditions could be improved *through* greater success in the market (even when such success required some prior insulation of firms and their workers from direct market pressures, in order to nurture productive capabilities requiring longer time periods for their development). Second, the industrial policy image of *uneasy truce or compromise* between capital, labor and the state (countervailing power) was replaced with a vision of *direct collaboration* between capital and labor as the basis for the development of competitive productive capabilities. Third, in formulating alternatives to neoliberal policies, progressive competitiveness thinkers drew inspiration from the purported successes of particular kinds of capitalism in developing more labor-friendly investment and production regimes that were also more competitive than free-market, anti-worker regimes internationally.

In this search for capitalist regimes generating improvements in worker conditions through labor-management cooperation and competitive market successes, many progressive economists were profoundly influenced (and inspired) by the succession of postwar economic 'miracles' in East Asia: first in Japan; then in South Korea, Taiwan, Singapore, and Hong Kong; and most recently in Indonesia, Malaysia, and Thailand. This record convinced them that Japanese-style capitalism, considered as the model and/or as a main engine of the broader East Asian experience, was a superior form of capitalism. Along with the successes of Japan's financial and investment planning systems in facilitating high rates of productive capital accumulation, progressive competitiveness thinkers emphasized the purportedly cooperative, stable, and nurturing qualities of Japan's corporate labor-management regime as the primary factor making Japanese capitalism more equitable, less exploitative, *and* more efficient and competitive than US-style neoliberal capitalism.¹

Elsewhere we have set out a general survey and critique of progressive competitiveness thinking on Japan (Burkett and Hart-Landsberg, 1996; 2000: Chapter 4). The point we want to emphasize here is that 1990s developments put the practitioners of this political-intellectual strategy in an extremely awkward position, which helps explain the above-

mentioned partial paralysis of left economists in the face of renewed economic instability and class struggle. To begin with, the collapse of Japan's speculative 'bubble economy' in 1990, followed by a decade of stagnation, severely damaged the credibility of progressive competitiveness interpretations. This credibility was dealt another, perhaps mortal, blow by the crisis that swept through East Asia in 1997-98—a crisis which took most admirers of East Asian capitalism (left and right alike) by surprise. Nonetheless, many progressive economists continue to defend the virtues of the Japanese model and blame the region's economic problems on the destructive effects of unregulated international market activity.² However, while this argument seems to jibe with their focus on reforming global-neoliberal institutions (the WTO, IMF, World Bank, and international financial markets), it represents a subtle but important retreat in their position. Previously, progressive competitiveness thinkers had argued the superiority of Japanese-style capitalism based on its global market successes. Now, they argue that their favored capitalist model requires protection from global market forces. It is not easy to see how such a selective allegiance to global markets can be coherently maintained, and this problem may reflect the utopianism entailed in the use of market competitiveness as a guide to the viability and success of purportedly worker-friendly investment and labor-management systems.

This difficulty is evidenced in the common view among progressive supporters of the Japanese model, to the effect that the best that can be hoped for in the present is a period of muddling through in which at least some of the purportedly progressive elements of the model will hopefully be preserved.³ Thus, in the midst of worsening global economic instability and crisis, of intensified class struggle and growing international worker solidarity, the best counsel these thinkers can offer is the defense of particular capitalist institutions—a defense not linked to any vision of worker-community centered, anti-capitalist, and global socio-economic transformation. Having failed to adequately root their interpretations of Japanese capitalism in a historical analysis of the country's class relations, including the struggles of Japanese workers in and against these exploitative relations, progressive admirers of the Japanese model have basically painted themselves into a corner of political impotence at a crucial point in capitalist history.

Our own view of the lessons to be learned from the Japanese and East Asian experiences is quite different. It emphasizes that the economic strategies followed in postwar Japan and East Asia were shaped by exploitative class relations, and that current regional crises are the result of class contradictions and struggles. Rather than wasting energy defending one form of capitalist relations over another, we should be developing new, non-capitalist political-economic visions out of a critical engagement with the struggles of workers and communities in and against all forms of capitalism. In this paper, we seek to contribute to the construction of class-based and worker-community centered political movements and visions by revisiting the struggle to reshape the Japanese political-economy immediately after World War II.⁴ Developments during this critical period serve as an important counter to progressive competitiveness interpretations of Japanese capitalism. They also offer strategic insights and lessons for contemporary anti-capitalist struggles.

In the years 1945-47, Japanese workers responded to a severe capital strike by taking direct control over important sectors of production and posing a new vision of worker-community based democracy against the authoritarian institutions of the Japanese state and the limited democratic reforms implemented by the US occupation. This was 'a major challenge to capitalist rule' (Halliday, 1978: 207), a struggle to create a new system based on humane and democratic-socialist principles, and it was repelled only by the combined efforts of the US occupation and the Japanese prewar ruling class. Only on the basis of its suppression were the Japanese government and big businesses able to gradually rebuild, although with some significant modifications, the basic prewar structures of Japanese capitalism (Burkett and Hart-Landsberg, 2000: Chapter 8).

The fact that 'labor and capital fought it out, socialism versus capitalism, during the first nine months of reconstruction' is surely an important reference point in any determination of the essential class nature of, and progressive potentials contained in, the postwar Japanese political-economy (Moore, 1997: 5). Yet this struggle has been conspicuous by its absence from progressive competitiveness treatments of the Japanese model. Insofar as the immediate post-surrender period is discussed at all, it is often treated as a kind of historical interregnum during which the US

occupation stepped in and forced liberalizing reforms onto a Japanese government and citizenry who, while somewhat resistant, were 'on the whole in [a] state of psychological and/or mental prostration ("kyodatsu")' (Tsuru, 1993: 15).

Accordingly, in Section I, we explore the forces shaping US occupation policy in the years 1945-47, highlighting the limited extent to which the occupation displaced the power of the Japanese government and ruling class. We then analyze Japan's postwar economic crisis, emphasizing the roles of pre-surrender Japanese elite planning and the post-surrender actions of the Japanese government and capitalist class. In Section III, we examine the unionization, production control, and democracy struggles that were triggered by the crisis. Section IV discusses the factors that prevented this worker-community movement from achieving a more sustained radical restructuring of the Japanese political-economy. The structural results of the repulsion of the workers' upsurge are outlined in Section V. Finally, we conclude by highlighting the strategic lessons this period holds for contemporary anti-capitalist struggles in East Asia and elsewhere.

I. Initial US occupation policy

Japan's defeat in World War II did not lead to the immediate destruction of its prewar system. The reason was simple: US policymakers decided from the very beginning of the occupation to 'maintain the Japanese system of government, including Emperor, cabinet, and bureaucracy; and to reject military government' (Halliday, 1978: 168). As pointed out by Gabriel Kolko, this 'willingness to retain the Emperor and work through many of the existing political organizations indicated the basic ambivalence and flexibility in American policy before the total collapse of China' (1968: 545). In order for the US to remain dominant in Asia with a minimal commitment of resources, it needed a major ally in the region—either China or Japan. China's civil war intensified after the Japanese surrender, with Mao Tse-tung's popular anti-imperialist forces increasingly gaining the upper hand over Chiang Kai-shek's corrupt Kuomintang regime (despite abundant US aid to the latter). The revolutionary situation in mainland China, coupled with surging anti-imperialist 'resistance movements throughout the Far East,' therefore made a stable, relatively self-sufficient, and capitalist Japan

‘a vital element in thwarting what Washington perceived as the greater immediate danger of the Left in Asia’ (Kolko and Kolko, 1972: 300).

Hence, even though there was a large US occupation presence, its ruling body, the Supreme Command for the Allied Powers (SCAP), never truly functioned as the government of Japan. Although the SCAP and its Supreme Commander General Douglas MacArthur formulated policy directives, it allowed the existing Japanese government considerable freedom of action in implementing them. For example, an October 4, 1945 MacArthur directive formally dismissed all police chiefs and abolished the system of secret ‘thought control’ police. Yet, at the same time, the SCAP continued to rely on the regular police system. The Japanese police ‘were cooperative and all too efficient in aiding the occupation in keeping order, which soon meant curtailing popular demonstrations and strikes. And the United States Counter Intelligence Corps soon discovered that their most valuable assistants were former officials in the outlawed Japanese secret police’ (Kolko and Kolko, 1972: 310).

In the economy just as in government, the SCAP basically left Japan’s pre-surrender power structure untouched. True, some US policymakers spoke of the need to break up the *zaibatsu*—gigantic family-run conglomerate enterprises—and deindustrialize Japan. The *zaibatsu* were at the heart of Japan’s industrial and war-making power; at the end of the war in 1945, the four largest *zaibatsu* accounted for approximately 25 percent of the total paid-up capital of all Japanese corporations, but 50 percent of the total in the financial sector, and 32 percent in heavy industry (Halliday, 1978: 180). But given the close ties between Japan’s governing elite and the *zaibatsu*, and given the occupation’s strategy of working through the same governing elite, it should not be surprising that proposed measures to break up the *zaibatsu* were never fully implemented and never had significant impact on the power structure of the Japanese political-economy (Burkett and Hart-Landsberg, 2000: Chapter 8). ‘Postwar Japan,’ in short, continued to function as a political and economic unit, both physically and institutionally. Government, control agencies, and business firms were organizationally intact at the surrender and the wide range of measures taken by the occupation... interfered remarkably little with their operational mechanism. All changes [were] mediated through regular Japanese government channels,

further ensuring minimum disruption of normal political and economic processes. (Bisson, 1947: 241)

II. The postwar economic crisis

As the war turned against Japan in 1944 and 1945, influential individuals in the country's governing elite became 'more concerned with the prospect of revolution than of military defeat, to which they were reconciled' (Kolko, 1968: 550). 'Ridden by fear of social revolution and apprehensive about Allied intentions, certain members of the civilian leadership had early begun to consult among themselves about how best to meet the coming disaster' (Moore, 1983: 3). Among these leaders were former Prime Minister Konoe Fumimaro and future Prime Minister Yoshida Shigeru. Yoshida assisted in the drafting of Konoe's 1945 policy Memorial which, in setting out a strategy for postwar reconsolidation of the Japanese power structure, stated that: 'What we have to fear ...is not so much a defeat as a Communist revolution which might take place in the event of defeat' (Kolko, 1968: 550).⁵

Japanese business and government leaders moved quickly after surrender to solidify their economic and political power. This quick, concerted action directly contradicts the post-surrender psychological stupor of 'kyodatsu' commonly ascribed to Japanese leaders. Indeed, between August 14 and the formal signing of the surrender decree on September 2, the Japanese government 'handed out vast quantities of goods [held in their warehouses] and twelve billion yen in currency, mostly to the great zaibatsu concerns' (Moore, 1983: 28). It has been estimated that the total transfer of wealth amounted to 'a minimum of fifty billion yen, and its immensity can be gauged by the fact that currency in circulation on 1 August was only 28.5 billion yen' (28). In the succeeding months, the *zaibatsu* received tens of billions of additional yen in government indemnity payments for factories that had been converted to war production (30). Subsequently, the SCAP gave confiscated goods worth over 100 billion yen to the Japanese government to use for recovery; most of these also found their way through backdoor connections into *zaibatsu* hands (28-29).

Armed with this 'war chest,' the *zaibatsu* decided to take a wait and see attitude toward the economy; they refused to invest and/or produce. Rather, they were content to sell off

their supplies on the black market for considerable profit. Indeed, 'given the extreme shortages...goods were hoarded and sifted into the black market for several years, vastly enlarging the profits of the ruling class during a period when its future was still ambiguous' (Kolko and Kolko, 1972: 308).

The Japanese capitalist class decided against industrial renewal in part because it feared that a quick economic recovery might encourage US policymakers to break up the *zaibatsu* and ship Japanese plant and equipment abroad as reparations. A more important reason was the fear among Japanese business and political leaders that a quick recovery would strengthen the hand of labor and the left. Economic stagnation was seen as the best means of disciplining labor and winning occupation support for the renewal and revitalization of the prewar Japanese political economy. The US occupation's willingness to work through pre-surrender Japanese government institutions (including the police) certainly facilitated this elite strategy of 'waiting out' the workers.

Whatever its exact motives, the effects of the 'virtual strike of capital' staged by Japanese business were dramatic (Halliday, 1978: 208). Industrial activity after surrender fell below 10 percent of the 1935-37 average, rising only to about 13 percent by winter 1945 (Moore, 1983: 76). A full year later, industrial production was still only approximately 30 percent of the 1935-37 average (Bisson, 1947: 243). In fact, it remained less than 50 percent of that average as late as 1948 (Moore, 1983: 78). Inflation compounded the crisis, with the official cost of living index increasing twelvefold between June 1945 and January 1946 (86). The true jump in the cost of living was much higher, since it was determined largely by more swiftly rising black-market prices for food and other basic household items (Bisson, 1947: 243).

It is important to note that the depth of the post-surrender economic crisis cannot be explained by wartime damages. As Moore points out: 'War destruction of physical plant as a decisive limiting factor can be dismissed at the outset. Productive capacity in key industries like steel, aluminum, coal, power, chemicals, and machine tools remaining after the end of the war was actually greater than 1935-37 levels, more than adequate for supplying the minimum needs of the postwar civilian economy' (1983: 78). Tsuru (1993: 8) similarly estimates that total tangible wealth remaining in Japan at war's end was roughly 'equivalent to the amount

existing in 1935.' T.A. Bisson's first-hand observations (as Special Advisor to the SCAP's Government Section) also strongly support the conclusion that 'with proper management, Japan could have made the transition to a peacetime economy, if not without a severe wrench, at least without experiencing the economic catastrophe that has overtaken it' (1947: 241-242).

Japanese workers, in contrast to the *zaibatsu*, were in no position to wait out the crisis. Average real wages fell to below ten percent of their 1937 level by late 1945, and over the first three years of the occupation they never reached as high as 30 percent (Moore, 1983: 86). Unemployment was also a major problem: over the first six months after surrender, the number of unemployed averaged about ten million people out of a labor force of 30 to 32 million (88). With no real system of public relief, many workers faced starvation. Fearing social chaos, the US began emergency shipments of food in the spring of 1946. Tragically, a good share of this food aid was itself diverted, directly or indirectly, into the black market.

Japan's post-surrender economic crisis clearly cannot be blamed on 'normal' postwar disruptions of the economy. Rather, it was accurately described by Bisson as 'a crisis engendered by fundamentally vicious economic policies, affecting budgetary expenditures, economic controls, and agriculture, which operated with generalized and damaging effect on the whole economy...while an unscrupulous minority waxed fat on it and bids fair to retain control of the nation's tangible assets' (1947: 242-243).

III. Unionization, production control, and democracy struggles

While the *zaibatsu* were arming themselves for the class struggle (largely thanks to government financial handouts), the occupation was, although more slowly, removing many of the restrictions that had kept the working class in check. For example, Sanpo—the state-run quasi-union of 'permanent' workers—was dissolved on September 30, 1945. And on October 4, 1945, SCAP issued its famous directive calling for an end to restrictions on civil liberties and the release of political prisoners. One response to this greater freedom was a surge in unionization. From September through

December 1945, union membership rose from 1,177 to 380,677. It then jumped to 902,751 in January 1946 before skyrocketing to 4,849,329 in December of the same year (Moore, 1983: 42).

It is true that not all of this growth represented independent unionism; in many cases, workers, out of desperation, agreed to accept a renewal of their past Sanpo enterprise units under a new name in hopes of maintaining their jobs. But the same desperation also kindled the fires of a powerful independent working-class movement. This labor upsurge stunned the occupation authorities: 'Much to the shock of MacArthur and many on his staff, the Japanese masses immediately began to use their new rights in unanticipated ways. The reforms of free speech, assembly, political activity, trade unions, and press were modeled on United States laws and the Americans implicitly expected them to be used—or not used—as in the United States, although the setting in Japan was one of potential revolutionary upheaval' (Kolko and Kolko, 1972: 309).

The SCAP's surprise may have also reflected an insensitivity to the prewar history of Japanese labor struggles.⁶ Although government repression always made strikes difficult, they did take place in the 1870s in mining, and in the 1880s in the textile industry. A 1907 attempt by labor organizers to unionize the Ashio copper mines was only put down by thousands of army troops. Miners also played a prominent role in the massive 'Rice Riots' of 1918, showing solidarity with civil society protests against high rice prices while demanding higher wages. This upsurge was shortly followed by major strikes by iron and shipyard workers in 1920 and 1921, respectively. The shipyard strike germinated the country's first production control struggle when workers took over and began running the docks. In 1924, workers at the Miike coal mines succeeded in gaining some improvement in their working conditions, despite the bosses' success in breaking a strike through bribery of union leaders. Finally, in 1927, 1,300 women workers at Okaya's Yamaichi silk plant struck for union recognition, higher pay, and improved workplace and dormitory conditions. The 19-day strike (the longest in Japanese history up to that time) elicited numerous sympathy actions, and was only broken by a combination of massive pro-capitalist propaganda, police intervention, and factional divisions among the strike leaders. Even during the period of most intense military-police repression in the

1930s and World War II, Japanese workers continued their long tradition of demonstrating against inhuman wages and working conditions through acts of sabotage, and high turnover.

In the emergency (capital strike) situation of the post-surrender period, the new labor movement soon found itself with no option but to broaden its objectives to include the democratization of the Japanese economy. Faced with the threat of unemployment and starvation, workers quickly realized that strike action to improve wages and working conditions would serve little purpose. Thus, beginning in October 1945, a growing number of Japanese workers turned to production control. The first struggle took place at Tokyo's Yomiuri newspaper when workers took over the entire newspaper operation. Activists came from all over Japan to observe and learn from the experience. And, taking advantage of the newspaper's national circulation, the Yomiuri workers actively promoted the tactic of workers' control and the struggles of other workers (Moore, 1997: 19). In December, workers at Keisei Electric Railway and Mitsui Bibai coal mine initiated their own production control struggles, resulting in improved railway services and coal output as well as working conditions.

Production control became an increasingly popular response to the crisis: there were 13 struggles in January, 20 in February, 39 in March, 53 in April, and 56 in May (Dower, 1999: 258). Altogether some 140,000 workers were involved in production control struggles during this period, more than the number that engaged in strikes and slowdowns combined (Moore, 1983: 103). 'Thereafter the numbers tapered off, but not enough to offer comfort to the government and the business community. Between June 1946 and the following February, an average of thirty cases of production control occurred each month' (Dower, 1999: 258).

These production control struggles were initially undertaken to secure union recognition; meaningful collective bargaining; higher wages; democratization of work relations; and participation in personnel, production, and investment decision-making. Workers seized control over their enterprises not because they sought to replace management, but to force it to be more responsive. As a result, production control struggles were usually begun without any vision of maintaining permanent control over the targeted enterprise or as part of a broader process to create a new economy.

However, capitalist attempts to smother these struggles, by withholding raw materials or payment for goods produced, gradually pushed workers to take more radical action.

For example, in response to financial pressures, the Toyo Gosei workers decided to convert their chemical plant to produce chemical fertilizer needed by farmers. To finance this conversion they sold other chemicals to other workers engaged in their own production struggle. They also worked out an arrangement with a farmers' association, whereby the association raised money from its members to purchase coal and coke, which they then traded to the Toyo Gosei workers in exchange for fertilizer (Moore, 1983: 156-160). This kind of process, in which workers made production decisions guided by the needs of the population, and in concert with other workers and popular associations, was a direct challenge not only to those capitalists directly affected by production control, but to capitalism more generally. As noted by John W. Dower: 'The tactic graphically undercut the argument that activist workers were bent on disrupting production, and simultaneously discredited the mystique of capitalist relations of production' (1988: 335).

In short, workers were hardly paralyzed by 'kyodatsu' during the months immediately following Japan's surrender to the us. Indeed, the challenge to capitalist control and rationality was also growing outside the factory, in large part because of food shortages. February 1946 saw a number of labor, farmer, and citizen groups forming the Democratic Food Council. The Council, with an estimated membership of 1,500,000, called for a policy of 'discovery and control of hoarded goods; acquisition of control over food; setting up of urban people's food committees; a system of voluntary food deliveries by farmers; production of fertilizer and agricultural materials; and democratization of the control associations and government offices connected with foodstuffs' (Moore, 1983: 170). In other words, both 'urban and rural people were [now] taking direct action at the point of production and distribution' (Moore, 1997: 7).

In March, left activists succeeded in forming the Democratic People's League, whose program included demands for 'adoption of a new constitution by democratic methods, liquidation of the bureaucracy, democratic planned economy, industrial democracy, democratization of farm villages, relief to small businessmen, democratization of food distribution, liberation of women, reform of education, and an inter-

national system based on peace and justice' (Moore, 1983: 173). The first concrete action of the League was a People's Rally on April 7, 1946. Some 70,000 people gathered to demand the resignation of the existing conservative government, an end to government and business attempts to suppress production control, faster economic recovery, and more democratic methods for the distribution of food and consumer goods. At the conclusion of the rally some 50,000 people marched to the Prime Minister's residence, broke through the gate, and charged onto the grounds. They were stopped only by the armed intervention of us military police (173-176).

Japan's 1946 May Day celebrations were perhaps the largest in the capitalist world, with some two million people participating. By this point, workers' demands clearly encompassed political goals directly infringing upon capitalist state power. As a SCAP report observed, the Tokyo May Day demonstrators' program included not only 'economic' demands such as 'people's control of food supplies,' the 'right to strike and to bargain collectively,' and 'workers' control of production,' but also political demands for 'a democratic people's government' and a more thoroughgoing 'purge of war criminals' (Moore, 1983: 177-178). Even 'reverence for the emperor, the most important ideological buttress of the old order, was evidently giving way' (178).

Hundreds of thousands of Japanese gathered again to demonstrate their opposition to the existing order on May 19, Food May Day. Following the demonstration, groups went both to the Prime Minister's residence and the Imperial Palace. Attempts to gain entry into the Imperial Palace to demand distribution of hoarded food were stopped when police fired into the crowd. Meanwhile the other demonstrators began a sit in at the Prime Minister's residence. One week later, a thousand students from Tokyo area high schools, colleges, and universities held a Student May Day demonstration, at which they called for educational self-governance by students, faculty, and staff, and encouraged student involvement in the broader mass struggles of the period (Dower, 1999: 267-268). No wonder that years later, when describing the months from the fall of 1945 to the spring of 1946, Japan's Committee for Economic Development concluded that business had faced 'an unprecedented period of revolution' (Moore, 1983: 144).

It was at this point that the SCAP's Supreme Commander, Douglas MacArthur, decided to openly and directly oppose the growing mass movement for change. He made a public statement during the Food May Day sit-in, warning against 'mob' activity. 'If minor elements of Japanese society are unable to exercise such self-restraint,' MacArthur declared, 'I shall be forced to take the necessary steps to control and remedy such a deplorable situation' (Kolko and Kolko, 1972: 313). Overjoyed, the Japanese government headed by Prime Minister Yoshida Shigeru began taking a hard line against labor actions. In June, it declared production control illegal and started calling out the police to suppress disputes. SCAP, which supported these actions, called its new hard-line anti-labor policy one of 'housebreaking' the labor movement (Moore, 1983: 189). Emboldened by these developments, corporations began a rollback of worker gains.

The workers' initial anti-capitalist offensive may have been blunted, but they still faced desperate economic conditions. Forced to abandon their production control efforts and more radical visions of social change, workers turned to a new strategy. In August 1946, they formed a new radical national labor federation, Sanbetsu, which enjoyed the strong support of the Japanese Communist Party. The hope was that a broader industrial union structure would enable workers to overcome their weakness at the enterprise level. Toward that end, Sanbetsu led an October offensive involving strikes in the electrical equipment industry, coal mines, and the electrical power industry. Tens of thousands of workers were involved (Moore, 1983: 213-218).

Even as private-sector workers began recouping some of their lost real wages, government workers—who generally earned half the wage of private sector workers—began to take a leading role in the labor movement. Led by railway workers, communication workers, and teachers, the Joint Struggle Committee of National Labor Unions, with Sanbetsu at its center, threatened a general strike on February 1, 1947 if conditions for government workers were not improved. 'It was widely anticipated that nearly four million workers, including sympathizers, would participate' (Kolko and Kolko, 1972: 512). But, on January 31, MacArthur secured the strike's cancellation by threatening actions against its leaders and their organizations. The effect of MacArthur's intervention cannot be overstated: it broke the back of the strike wave, split and weakened Sanbetsu, strengthened the

influence of Sodomei (a rightwing labor federation also formed in August 1946), and encouraged the revival of enterprise unionism (Moore, 1983: 240-243; Gordon, 1988: Chapters 9-10).

As part of a broader shift in US policy toward Japan, known as the 'reverse course,' the US occupation took more direct action against the left and labor. For example, in the summer of 1948, MacArthur reversed occupation labor policy and declared public sector strikes illegal. The following year, the occupation, in close collaboration with Japanese government and business leaders, promoted a massive purge of leftists in the labor movement; 'to this end some eleven thousand activist union members in the public sector were fired between the end of 1949 and the outbreak of the Korean War on June 25, 1950. After the war began, the purge was extended to the private sector (including the mass media), resulting in the dismissal of an additional ten to eleven thousand leftist employees by the end of 1950' (Dower, 1999: 272). The largely spontaneous and grassroots effort by Japanese workers to radically transform their country had been defeated.

IV. Causes of defeat

Japanese worker-community struggles in the post-surrender period were greatly weakened by their lack of effective representation, organization, coordination, and programmatic development at the national level. Perhaps the most important and obvious reason for this was state repression. As highlighted above, these struggles took place during a period when the ruling-class still had 'recourse to an efficient apparatus of oppression centralized in the state bureaucracy and police'—only now with the cooperation and official blessing of the SCAP (Moore, 1983: 12). This apparatus was effectively used to break unions, halt strikes, and fire and arrest movement leaders and activists.

There were other critical developments that help to explain the defeat of the worker-community movement. For example, left efforts to use the electoral process to promote a national movement and program of action were greatly restricted by the timing of the April 1946 parliamentary elections (as well as the prior history and ongoing practice of state repression). The scheduling of elections so soon after the surrender

clearly favored 'the established order,' especially since 'there was little background in Japanese history for mass participation in politics and even elite parliamentary activity had existed for only a brief period' (Kolko and Kolko, 1972: 310-311). The Communist Party had previously been outlawed and, 'with its leaders released from prison in October [1945], it 'had only six hundred members' and thus 'could hardly compete on an electoral basis after only five months of [legal] existence' (311-312). The Social Democratic Party, meanwhile, 'was a divided *mélange*' whose right-wing leaders (many of whom 'were later purged by the occupation') treated rank-and-file workers with open disdain, while 'its left wing advocated a united front with the CP and a party based exclusively on the working class.' Although the CP and the Social Democrats both enjoyed significant strength in the trade unions, neither had the rural base necessary for electoral victory. Given these adverse circumstances, it is noteworthy that the Social Democrats were able to garner 18 percent of the vote, and the Communists 3.8 percent, in the April 1946 balloting (313).

Attempts to solidify the rural political organization of the worker-community alliance were seriously undermined in late 1946 by the occupation's agrarian reform, perhaps the only major reform supported by the Japanese government. The reform's stated intent was 'to bring land ownership status to as many as possible of the more than four million farm families who cultivated wholly or partly land which they did not own' (Hewes, 1955: 59). 'In addition, rent ceilings were imposed on land not redistributed; farm cooperatives were encouraged to help farmers buy the fertilizer and other supplies they needed; and a system of farm credit on reasonable terms was established' (Cary, 1962: 20).

The underlying motivation for this program was not simply to help the peasantry; rather, agrarian reform was thought necessary to ensure capitalism's triumph in Japan. This perspective was well expressed by Wolf Ladejinsky, the agrarian specialist 'who engineered much of the land reform.' Years after the occupation, Ladejinsky recalled the pre-reform situation of Japanese peasants as follows:

A tenant farmer paid roughly 50 per cent of his crop in rent...He had to pay for fertilizer and other things, too. He could keep no more than 25 to 30 per cent of his crop. Consequently, the Japanese village was full of unrest. Under

the influence of Communist propaganda, it could have been a very serious political situation during the aftermath of the war. (Quoted in Cary, 1962: 19)

Laurence I. Hewes, another land reform specialist employed by the SCAP, was also well aware of the political impetus behind the agrarian program:

Almost the entire history of Japanese Communist activity, most of its aims and ambitions, centered on agrarian reforms. In fact, land reform had for long been the special political property of the Japanese Communists. If the reform were successfully accomplished, it would pull the rug out from under the entire Communist position in Japan. Finally, such a reform conducted in non-Marxist terms and stressing individual rights, private property, and auxiliary capitalist concepts could embarrass the Communist position throughout the world. (Hewes, 1955: 88)

The success of the reform can be measured by the fact that it not only 'destroyed the rural appeal of the Japanese Communists,' but also 'established a still-persisting pattern of electoral support by farmers for the ruling Liberal Democratic Party' (Prosterman and Riedinger, 1987: 122). No wonder that 'Yamaguchi Takehide, leader of the farmers union, responded to the land reform with hostility. "When I heard the news I thought 'damn,' if they had not done that we should have had a revolutionary government in Tokyo in a couple of years"' (Kolko and Kolko, 1972: 318). Indeed, the land reform began yielding dividends to the Japanese ruling class immediately after its passage by the Diet in October 1946. While taking 'much of the initiative from the radical farmers' organizations,' it also—in conjunction with stepped-up emergency food imports by the SCAP—partially defused the politically charged issue of food distribution 'well before the next upsurge in the workers' movement in the winter of 1946-47' (Moore, 1983: 240; 1997: 37). As a result, 'the links with farmers' organizations and city groups of spring 1946 had no real counterpart in the winter of 1947' (Moore, 1983: 240).

The workers' struggle was also held back by the disconnection between the mainly electoral ambitions of the movement's national leadership (represented by the Democratic People's League), and the more radical and direct action orientation of many of the rank-and-file. As Moore recounts:

The League's activities...were somewhat removed from the popular currents which were gathering strength. The DPL sought to act as an umbrella organization for those who wished to topple the Shidehara Cabinet and install a center-left coalition cabinet under a socialist premier. As such, the League reflected the interests of reform-minded leaders of formal organizations like trade and tenant unions and the left-wing parties much more than it did the attempts by shop-floor workers to implement workers' control. Its main reason for existence was to take part in the parliamentary struggle...not to encourage and lead radical popular actions. (1997: 36)

Thus, while labor's grassroots responses to the economic crisis focused on the intensifying contradiction between capitalist prerogatives and workers' right to live, the 'leftist national leadership associated with the League was eager to mobilize the already existing popular movement behind its election-eering efforts to bring a center-left coalition cabinet to power' (Moore, 1997: 36).⁷ Although production control and electoral activism are not inherently contradictory goals, the alienation of the movement's national political leadership from its mass base made them so in this particular conjuncture. Because of its focus on achieving a coalition cabinet, the DPL basically self-destructed when, in May 1946, MacArthur affirmed his support for the old guard cabinet while warning against any future general strike, mass demonstration, or production control actions. This meant that the 'grassroots mass movements which...had shown themselves prepared to stand up against the old order were now set completely adrift without any organizational focus capable of helping them transcend their own individual interests—be it land distribution, food distribution, or factory control—in a comprehensive, nationwide solution of Japan's political and economic crisis' (36-37).

V. Results of the defeat

The events described in this paper show that, 'contrary to the Western stereotype of Japan as the land of capital-labor harmony and worker docility, classes and class conflict underlie labor-capital relations in Japan, just as they do elsewhere in the industrialized world' (Moore, 1983: xix).

The Japanese system of labor-management cooperation and 'enterprise solidarity' has often been seen—even by many progressives—as a natural outgrowth of Japanese 'family' values. But, as James Rytting points out, this system and its ideology represent an elite inversion of 'the worker collectivism once forcefully deployed against capital' (1989: 28). It was only the 'violent suppression of labor' that 'turned the solidarity of that era inward, so that loyalty stopped at the worker's enterprise,' enabling capital 'to make worker fealty a structural feature of labor-management relationships' (28).

This is not to say that the defeat workers suffered in 1945-47 immediately ended all labor militancy and class struggle in Japan. As John Price emphasizes, adversarial unionism and 'sharp class struggle continued in Japan right into the 1960s...as indicated by a steady increase between 1946 and 1965 in the number of labor disputes and the number of workers involved' (1997: 69). Nonetheless, the prior suppression of the post-surrender production control and industrial union movements definitely tilted the terrain of class struggle against labor—enabling capital to isolate and defeat individual militant unions, culminating in the 'severe setback for adversarial unionism' suffered with the defeat of the Miike coal miners' strike of 1960 (69).

Economically, the 'accelerated growth that characterized the 1960s' was 'inextricably bound to the politics of breaking independent adversarial unionism' (Price, 1997: 71). The recovery of Japanese capital accumulation meant intensified exploitation of Japanese workers. The requisite disempowerment of workers, in both the workplace and wage negotiations, was facilitated by the reconsolidation of enterprise unions. Tsuyoshi Tsuru and James Rebitzer provide a useful summary of the limitations of this form of worker organization:

Enterprise unions, by their very nature, allow management and labour to reach agreements that are well suited to the particular needs of an enterprise. The identification of the union with the enterprise, however, limits the willingness of the union to seek wage gains that might hinder the competitive position of the company. Should profits come under pressure (as happened in Japan as a result of the oil shocks in the 1970s and the *heisei* recession in the 1990s), it is natural for enterprise unions to adopt an accommodating position. Declining wage premiums [then] reduce the incentives of non-union employees to form

unions. Enterprise unions, whose membership is guaranteed by union shop clauses, will feel only limited pressure to respond to declining interest in union formation at non-union firms. (1995: 482)

Given these problems, it is not surprising that union membership as a share of the employed labor force declined from 45.3 percent in 1947, to 34.4 percent in 1975, to 22.4 percent in 1998 (Tsuru, 1994: 1; Fujimura, 1999: 1). However, this decline was a function not only of the natural limits of enterprise unionism, but also of a concerted effort by Japanese capital and its state to undercut and suppress all adversarial and militant labor activity *within* enterprise union bodies. As Price observes, 'to achieve the labor-management "harmony" of the corporatist model, employers resorted to coercion,' with Nikkeiren (the powerful Japan Federation of Employers' Organizations) engaging in 'a systematic campaign to break independent unions' from the late 1940s through the 1950s (1997: 53). The Japanese government assisted this campaign with periodic repression, as, for example, when 10,000 riot police were dispatched to help break the 1960 Miike miners' strike (66).

Just as importantly, the Japanese state provided technocratic support and coordinative help for capital's installation of new systems of labor control entailing the integration of enterprise unions into corporate management structures on a strictly subordinate basis. This activity was stepped up after 1949-52, when Japan regained its political independence and various planning and policy functions were concentrated under the Ministry of International Trade and Industry (MITI). Through its supervision of the Industrial Rationalization Council, which included the leaders of most major industrial enterprises, MITI oversaw the design and implementation of policies 'in the areas of the reform of management, the institutionalization of the lifetime employment system, and the raising of the productivity of Japanese work-force' (Johnson, 1982: 216). In this way, MITI supported the elaboration of 'a whole series of management measures, some new, some not,...into a comprehensive code of worker control: time control, personnel control, efficiency wages, a pay scale tied to "ability", rigidly hierarchical status rankings for workers, and the shop supervisory system known as "*shokusei*" (literally "work control")' (Halliday and McCormack, 1973: 179-180).

Under this 'scientifically' engineered labor-control system, 'the unions themselves became increasingly integrated into the supervisory structure of the company, partners of capital, united with private enterprise in helping Japan compete for international markets' (Halliday and McCormack, 1973: 180). The focus of labor-management relations 'shifted from collective bargaining to the development of joint consultations' in which managers and union officers 'could discuss a range of delicate problems' without interference or input from rank-and-file workers (Fujimura 1998: 2). 'In some companies, the head of the union came to have access to sensitive data otherwise available only to a few top managers' (2). Union leaders were thus co-opted into management structures, to the point where a union officer post often became a stepping-stone to a career in corporate management (Fujimura, 1999). Meanwhile, rank-and-file workers, having lost touch with 'what was being done on their behalf and what was being given away to management,' naturally tended to 'become more cynical about the negotiation process.' As a result, 'Many lost faith in their leaders and came also to lose their interest in union activities' (Fujimura, 1998: 3). Such dynamics of worker disempowerment underpinned the global competitiveness of postwar Japanese capitalism that is so central to the treatment of Japan as a progressive model.

Having misunderstood the class nature of the Japanese experience, many progressive economists have also misunderstood the causes of the current crises in Japan and East Asia more generally (Burkett and Hart-Landsberg, 1996 and 1998). The reconsolidation of capitalist hegemony, in both production and society as a whole, ensured that Japanese industry would enjoy the benefits of a high rate of exploitation (with productivity rising faster than wages). Among these benefits was a considerable cost advantage over its international rivals and thus rapid growth and export success. Indeed, as industrial capacity grew far beyond domestic wage-based demand, the Japanese system became, out of necessity, increasingly export-oriented (Steven, 1990).

Trade tensions with the US naturally followed, forcing Japanese enterprises to regionalize their production, especially beginning in the second half of the 1980s. The process resulted in the development of a hierarchical regional production system dominated by Japanese capital in which workers throughout East Asia labored to produce exports. Eventually, tensions generated by the region's combined and

uneven development led to labor resistance, regional over-production, unsustainable trade and financial imbalances, Japanese economic stagnation, and the collapse of East Asian economies (Burkett and Hart-Landsberg, 2000: Chapters 9-12). In short, Japan and East Asia's economic problems are structural; regulating international economic activity as proposed by many progressive economists does not address this reality.

VI. Lessons for contemporary struggles

Beyond promoting a better understanding of the nature of the Japanese model and the causes of the crisis in Japan and East Asia, the post-surrender events examined in this paper also hold important lessons for contemporary activists working to build worker-community movements. *Lesson one is that class relations are decisive in shaping political dynamics.* Japan's post-World War II experience clearly illustrates the importance of class. Within a year after defeating Japan, the US government had committed itself to defending the interests of the prewar Japanese political and economic elite. The Japanese elite, for its part, actively undermined the health of the Japanese economy and well-being of Japanese workers to strengthen its position. Class interests clearly trumped national interests.

One can see a similar situation today in East Asia. Dominant capitalist interests, represented by the US government and IMF, are demanding that East Asian countries implement harsh structural adjustment policies. These policies have generally been supported by East Asian government and business leaders despite the suffering they cause because they strengthen capitalist structures and class interests. Thus, 'nationalism' has little significance in terms of contemporary political processes; elites operate across borders with a clear recognition of their common interests (cf. Ruccio, 1991).

Lesson two is that crises can serve capitalist interests. As we saw above, Japanese capital deliberately intensified the post-surrender economic crisis as a way of weakening the Japanese working class and boosting its own bargaining position with the US occupation. While East Asian capitalists did not deliberately trigger the interrelated crises currently devastating the region's economies, they have found them useful for strengthening their position relative to their respective

working classes. For example, South Korean capitalists have taken advantage of IMF interventions to promote new labor laws that greatly increase their flexibility in hiring and firing workers. Similarly, Japanese capitalists have used their country's stagnation to weaken past labor management systems built on so-called 'life-time' employment. This dynamic can easily lead to 'recoveries' that intensify downward pressures on living and working conditions. In short, we need to use a class perspective when analyzing the causes and consequences of crises.

Lesson three is that working people have the motivation and capacity to defend their interests. Japanese working people developed, under difficult conditions, their own strategies in response to the economic crisis. These included strikes, demonstrations, and production control struggles. Their efforts were initially defensive in nature, but the logic of class struggle quickly radicalized their actions, leading to greater worker-community solidarity and new visions of society.

Similarly, we must be alert to the ways working people in East Asia are developing their own forms of struggle. New strategies and visions tend to emerge out of popular efforts, not from detailed programs worked out by progressive policy advocates and political parties. Our responsibility as intellectuals and activists is to learn from and encourage on-going struggles and find ways to promote their radical potential. Significant resistance is already visible in South Korea, Thailand, and Indonesia. Moreover, given the history of Japanese struggles discussed in this paper, we should not dismiss the potential of Japanese workers to mobilize as conditions continue to deteriorate in their country. Already, worker dissatisfaction with the dominant enterprise unions has forced them to at least pay lip-service to the need for more substantive worker input into production decisions, and for an extension of union membership to workers other than the minority of full-time, regular employees at large corporations (Fujimura, 1998: 5).

Lesson four is that past struggles can offer lessons and inspirations for current struggles. Japanese production control struggles were a powerful response to economic retrenchment. Faced with a situation where production was collapsing, strikes were largely counter-productive. Moreover, they could easily be portrayed and thus discredited as damaging the national interest. With the production control movement,

workers not only demonstrated that they were committed to economic recovery but also that they could do a better job of organizing production than capitalists.

In contemporary East Asia, layoffs and closures have also been common. In addition, strikes to defend jobs have been portrayed (often successfully) by the government and media as contrary to the national interest. Workers in East Asia thus need to explore and combine a variety of tactics to defend their legitimate interests. The fact that production control struggles would be difficult in major manufacturing firms that operate as part of a global division of labor producing for export does not make them impossible. Rather it emphasizes the importance of international cooperation and coordination among workers and their struggles. Production control struggles coupled with demands for public ownership of financially weakened enterprises represents another option. South Korean workers are currently demanding that the government convert bankrupt Daewoo Motors into a public enterprise, although they are pursuing that goal through a threat of general strikes rather than production control.

Lesson five is that a nationally coordinated political strategy is essential for successful social transformation. Japanese workers failed in their attempt to transform their country's social relations for many reasons. As discussed above, one important reason was that they were unable to establish a national framework or coordinating body able and willing to promote existing struggles (especially production control) and integrate them into a larger transformative project. The Japanese Communist Party (a leading force within the Democratic People's League) was at the time the only national body capable of giving such direction, and it did not recognize the significance of such struggles. Rather, the CP sought to use the energy of the popular movement to energize its own electoral campaign, leaving grassroots efforts disconnected and without national focus.

Today, debates rage in East Asia between those who support direct action and those who support electoral efforts; and between those who advocate decentralized, locally organized political activity and those who support nationally directed and focused movements. As the Japanese experience makes clear, we should not be forced into choosing one strategy over the others. Rather, we must recognize the importance of encouraging both grassroots political actions

and the creation of structures that can unite and magnify the effects of these actions on to the national political agenda. This is a complex process but it must be directly engaged if popular efforts at self-defense are to generate meaningful social change.

Lesson six is that imperialism remains a major obstacle to change; its defeat requires international solidarity. The use of US power was the single most important factor explaining the failure of the Japanese post-surrender movement for social change. That power was used both to strengthen the Japanese ruling elite and to weaken left and labor activism. For historically understandable reasons, there were no working-class protests in the US against occupation policies and in support of Japanese workers. Subsequently, this problem of inadequate international solidarity was reinforced by the reconsolidation of enterprise unionism in Japan. For the most part, the country's enterprise unions do not oppose, and they even actively support, the international competitive interests of their 'parent' companies (Hoogvelt, 1995: 725-726).⁸ Meanwhile progressive competitiveness thinking has blinded many western left economists to the costs of such enterprise solidarity in service of capital (Burkett and Hart-Landsberg, 1996: 81-82; DeMartino, 1996: 26-28).

Currently in East Asia, the US government, as well as the IMF and World Bank, are imposing draconian policies on working people, with the tacit (and sometimes active) complicity of local elites. Workers are attempting to resist these policies but the united international capitalist offensive gives local government and business leaders a tremendous advantage. National efforts at social change clearly need the support of working people in other countries to shift the balance of power in the opposite direction. This requires, among other things, convening regionally-based worker and community gatherings for the purpose of advancing common strategies of resistance and mutually reinforcing and supportive economic visions. At the same time, solidarity must be developed on a wider scale with movements in the advanced capitalist countries organizing to limit interventions, support debt repudiation, and break the power of the IMF and World Bank.

In sum, careful study of the Japanese experience clears away the false vision of a progressive capitalism and highlights the negative consequences of the existing class-based international capitalist system. It also offers important lessons

that can help us clarify our challenges and advance our efforts to promote an internationally linked movement of social transformation.

Notes

1. See, for example, Levine and Tyson (1989), Tabb (1992), Gordon (1993), and Bello, *et al.* (1994: 73, 99, 100-102).
2. Burkett and Hart-Landsberg (1998) provide a detailed account of left and mainstream responses to the East Asian crisis.
3. See, for example, Dore (1998), Lazonick (1998), Gordon (1999), and Tabb (1999).
4. By 'worker-community centered,' we mean a movement that promotes the further development and empowerment of human beings capable of managing their highly socialized system of production so as to make it more healthy and sustainable in human, social, and environmental terms. This worker-community perspective is not simply laborist in the traditional sense but also emphasizes the cooperative-democratic management of economic and political life by the community as a whole (socialism) on local, regional, national, and ultimately global levels.
5. Dower (1988: Chapters 7-8) gives a detailed overview of the behind-the-scenes pre-surrender discussions among elite Japanese planners. For the complete text of the Konoe Memorial, see *ibid.*: 260-264.
6. The events sketched in this paragraph are described in more detail in Halliday (1978: 63, 68-72, 158), Hane (1982: 196-200, 242-244), Gordon (1988: Chapters 7-8), and Tsurumi (1990: *passim*).
7. In their study of left responses to the recent South Korean crisis, Jeong and Shin (1999) emphasize the revolutionary possibilities created by the intensifying contradiction between capitalist relations and human needs ('workers' right to live').
8. This statement applies to the dominant enterprise union confederation, Rengo, the product of the 1989 merger of the two main union federations, Domei and Sohyo. 'Two other national union centres, Zenrokyo and Zenroren, are deeply critical of Japan's TNCs and the spread of its industrial relations. They fight a rearguard action in favour of international workers solidarity' (Hoogvelt, 1995: 725). Unfortunately, Zenrokyo and Zenroren have a combined membership of just 500,000 workers compared to Rengo's eight million—with an even bigger disadvantage in terms of funding (*ibid.*).

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