American Technical Assistance Programs and the Productivity Movement in Japan

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IT WAS NOT UNTIL the Japan Productivity Center was formally inaugurated on 1 March 1955 that the productivity movement in Japan was implemented in earnest and went on to play a major role in the modernization of management practices within Japanese enterprise. Now, playing a major role from 1953 to 1955 in the setting up of the Japan Productivity Center was the Foreign Operations Administration (FOA), while playing a major role from 1955 onwards in its activities was the International Cooperation Administration (ICA). The objectives of this paper will, therefore, be to use American source materials first of all to document the need for productivity improvement in Japan and provide details of the steps leading to the establishment of the Japan Productivity Center; secondly to sketch the activities of the Japan Productivity Center; and thirdly to describe measures adopted in both Japan and the United States when the ICA’s technical assistance program came to an end. Finally, I shall summarize the role played by the productivity movement in Japan.
AN APPRAISAL OF THE JAPANESE ECONOMY
AND THE NEED FOR PRODUCTIVITY IMPROVEMENT

The productivity movement began in Japan when interest was aroused in both the private sector and the government as a result of the economic recession experienced in the mid-1950s. Interest was first awakened in the private sector around the end of 1953, and then in 1954 the government also recognized the need for modernization through productivity improvement. With one accord government and the private sector began to move toward the establishment of a Japanese productivity center. Also, the United States, in the midst of an intensification of the Cold War with the Soviet Union in various parts of the world, and especially from the time of the Korean War, increasingly began to see Japan as a bulwark against Communism among the democratic countries of Asia; even as it concluded a Mutual Security Agreement (MSA) with Japan in 1954 and proceeded with military assistance, it concluded a fresh technical assistance program with Japan and energetically went about providing economic and technical assistance as well. According to a Department of State document, at that point in time the United States held this view of Japan's place in the world order:

Japan is the northernmost anchor of the strategically important offshore island chain on the Western Pacific and is by far the most industrially advanced country of Free Asia. It is of vital importance to the free world that Japan be politically stable, economically viable, capable of defending itself against internal subversion and external aggression, aligned with the countries of Free Asia, and able to contribute to the mutual security of the area.¹

As a consequence of the San Francisco Peace Treaty of 1952 Japan would recover its independence and pursue policies aimed at economic self-sustenance, but once the Korean War came to an end and special procurement orders from the Allied Forces dried up, its economy experienced a slump, so that in 1953 and 1954 its trade deficits increased notably. The result was that the country found itself

urgently in need of drastic economic reform and the modernization of its industries if it wanted to achieve rapid recovery of the economy and international competitiveness for its commercial products. In the face of this economic slump both the government and private enterprise started showing greater interest from around the end of 1953 in improving productivity, and steps were taken toward launching productivity activities. W. C. Haraldson, commercial attaché at the American Embassy, remarked:

At first little interest was evoked in such a program, but as the economic situation deteriorated and both government and business became increasingly concerned with falling exports and high prices, these groups have been more and more receptive to the idea. Now that the Government has officially embarked on an austerity program which has the wholehearted support of industrial and commercial circles, it appears that the time is ripe for FOA and the Department to prepare rather concrete plans for the extension of this service to Japan.²

America’s nonmilitary assistance and economic aid to Japan from 1945 to 1951 amounted to US$2,000,000,000; this was disbursed through GARIOA (Government and Relief in Occupied Areas) in order to provide emergency relief and economic assistance. With the winding down of GARIOA in 1951 official assistance ended, but efforts were made to have a direct impact on the Japanese economy through such actions as the purchase of military materiel to be used by the United States or the Allies, the purchase of industrial products and industrial equipment in order to carry out America’s economic aid program in the Far East as a whole, and the granting of credit to the tune of $200,000,000 to the Export–Import Bank of Japan to fund cotton goods exports. What played a particularly providential role in the revival of the Japanese economy were the special procurements from the Allied Forces in connection with the Korean War. These special procurements amounted to $805,000,000 (¥1=¥360; ¥289,800, 000,000) in 1952, $785,000,000 (¥282,600,000,000) in 1953, and $575,000,000 (¥207,000,000,000) in 1954. While these special procurements temporarily lifted the Japanese economy from the slump that followed

² Record Group 469, No. 421, "Aerogram 194," from Wesley C. Haraldson to Department of State, September 1, 1953.
the implementation of the Dodge Line in 1949, once the Korean War ended the special procurements also ceased, and the economy once again fell into a slump. At the same time inflation prevailed in the domestic economy, the rice harvest fell because of adverse weather, and imports soared—all factors that led to a sharp deterioration in the balance of international payments. The trade deficit for 1953 reached US$1,135,000,000, but this deficit eventually was reduced to $200,000,000 through American military expenditures and by profits from marine transport. Faced with such a critical situation the Japanese government took steps at the end of 1953 to lower the inflation pressure on the economy through a reduction in imports and through a reduction in credit and fiscal expenditures. As a result the trade deficit figure fell to US$770,000,000 in 1954 (when ordinary revenue and expenditure were all calculated, a plus figure of $100,000,000), but it became obvious to everyone that there were structural problems in the Japanese economy and that there was an urgent need to strengthen the country's export competitiveness through a restructuring that had to include the modernization of industries.3

The American government had been aware, during these economic woes, of the need for technical assistance to Japan, but because until 1953 the Japanese government had not made this need known publicly the American government had been reluctant to let technical assistance go ahead.4 This was because the United States government had been of the opinion that any technical assistance to a Japan that was as unstable, even politically, as the country then was, required the participation of the Japanese government as well. Thus it was that productivity activities, which were the heart of the technical assistance, did not begin in earnest until 1954, when the Japanese government finally joined in promoting the productivity movement.

Once this happened, the United States government concluded the Mutual Security Agreement with Japan in 1954. The goals of the Agreement were described concisely: “The objectives of the Mutual


4 Record Group 469, No. 1067, Labor Productivity Branch, Country Files, Memorandum from Frank N. Trager to Haldore Hansen, July 17, 1953.
Security Program in Japan are to assist the country to strengthen its defence forces and to develop a strong, viable economy.” Thus the aid to be given under the terms of the MSA included both military and nonmilitary assistance; this was partly to counteract the criticism within Japan that economic and technical assistance under the MSA was limited to military aid. After this agreement was reaffirmed between the two countries, and in conjunction with the Meyer Report to be discussed below, the United States government set out to inaugurate technical assistance to Japan and to be more positive in regard to productivity activities. The Mutual Security Program and the Agreement between the two countries listed the following points:

1. Japanese participation in the program of economic development in a free Asia;
2. The development of defence and defence-supporting industries;
3. The expansion, rehabilitation, and modernization of Japan’s other industries on a sound economic basis;
4. Improvement of the managerial and marketing efficiency of Japanese industrial enterprises through, among other means, technical assistance.5

Acting in concert with the rise in interest in productivity activities in Japan, the American government, and in particular the State Department, in 1954 sent to Japan a survey team headed by C. E. Meyer, who was at the time in charge of the FOA in Austria. In collaboration with the American Embassy in Tokyo this team conducted a survey of the state of Japan’s economy and its problem areas, and collected its findings in a report called “An Economic Program for Japan,” which it presented to Secretary of State Dulles in June 1954. Without going into details on the contents of this report, I would like to summarize its main points. After the report describes the fundamental causes for the knottiness of the Japanese economy and what the remedies should be, it suggests how to advise Japan on the actions that ought to be taken to remedy the difficult nature of the economy, and finally recommends the establishment within Japan of an organization to oversee economic aid. More specifically, the report states that the only way

5 Record Group 469, “Productivity Agreement Documents,” p. 4.
Japan could survive economically was through export; that, in order to cope with international competitiveness, production, management, and marketing techniques have to be improved so that prices can come down; that a productivity center needs to be established in Japan; and that in addition a Japanese mission of the FOA should be set up to oversee technical assistance. Secretary of State Dulles approved the major points of the report, and in December 1954 an FOA Japan Mission was established. The setting up of this mission, on a modest scale though it was, signaled the beginning of serious efforts by the American government to provide Japan with economic and technical assistance, and afterwards, with support from the FOA, moves towards the establishment of a productivity center to act as the channel of technical aid in Japan gained speed on the Japanese side.

Moves had already begun toward the establishment of a productivity center from around the end of 1953, thanks to feelers put out among Japanese businessmen by the commercial attaché at the American Embassy, W. C. Haraldson. The crucial point in the lead-up to the establishment of a productivity center was that the United States government, which had continued to seek the participation of the Japanese government in the productivity movement, only gave the green light once the Japanese government’s participation was guaranteed. Another thing the United States government emphasized was the need for the participation of labor unions in the productivity movement, and it strongly urged that they be approached.

The goals of American technical assistance to Japan were, first of all, to increase productivity in Japan through improving the technical efficiency of Japanese industry, agriculture, and commerce and through making the labor unions more democratic. Then, once the results of the increased productivity were distributed more fairly and prices had fallen lower, production would increase profits and


7 The American Embassy had urged that the necessity for the Japanese government’s participation be emphasized: “A prerequisite to any additional United States aid program would therefore have to be assurance that the Japanese Government, to the maximum extent of its ability, would carry out steps....” Record Group 469, No. 1263, Mission to Japan, Office of the Director, Subject Files, 1957–59, “An Economic Program for Japan,” July 1954.
achieve more equitable returns, the result being a gradual rise in living standards and an improved position of the Japanese economy in international trade. Japan's fundamental economic problem was one of offsetting the steady decline in American military expenditure within Japan by expanding exports sufficiently in the next two or three years so as to be able to use export profits to pay for the foodstuffs and industrial products that the country was forced to import. To put it in other words, Japan's economic problem was to provide, under the principle of self-supporting a rapidly increasing population, employment opportunities and a decent standard of living to its numerous populace.

On 7 April 1954 the Japanese government exchanged with the United States government an "Exchange of Notes between the Government of Japan and the Government of the United States Regarding a Productivity Improvement Program," which provided, among other things, for a program in which both countries would assist the productivity movement in Japan. On the same day there was an exchange of letters between the Japan Productivity Center and the United States Overseas Mission (USOM) that determined the manner in which the burden of expenses would be divided in the implementation of productivity activities. Through the exchange of these documents the Japan Productivity Center received support from America's ICA and formally began its activities.

PRODUCTIVITY ACTIVITIES IN JAPAN

THE GENERAL BACKGROUND

The various types of technical assistance provided by the United States, including productivity activities, were all carried out through the offices of the ICA.\(^8\) The objective of the ICA's program of technical cooperation in the field of industry was "to create an economic atmosphere in which free nations can and will continue to build their economic strength and improve the standard of living of their people, and to develop the strong private industrial base essential in

\(^8\) Much of the discussion in the next few paragraphs is based on material found in U.S. ICA, *Institutions of the Industrial Technical Cooperation Program*, Rev. 1959.
a sound modern economy." The following three items were listed as the principal elements in any such industrial technical cooperation.

1. Specialized training and observation by host country nationals in the U.S.;
2. The provision, by U.S. technicians working in the host country, of specialized technical training, advice, and demonstration;
3. The transmittal of U.S. technical know-how through the printed word and audio-visual techniques.

The organization to carry out these types of technical assistance was a productivity center, and the activities of the Japan Productivity Center were designed to follow the lines of activities implemented in Western Europe. The principal activities of productivity centers were directed at the attainment of one specific objective—industrialization—and a general improvement in productivity, and they consisted of:

1. Training courses and seminars to develop needed managerial, supervisory, technical, and vocational skills;
2. In-plant factory engineering work to improve production practices and techniques, drawing as required upon the short-term services of experts from the U.S. and other mature nations or international agencies;
3. Sponsoring of visits to the U.S. or to other industrialized lands, to improve the knowledge, skill, and ability of host-country managers, scientists, technicians, and workers;
4. Development of technical libraries and technical information or reference centers;
5. Conduct of applied research;
6. Stimulating increasing interplant and interindustry exchanges of such things as information, ideas, and production practices.

In Japan, as elsewhere, the productivity center formed the core of any productivity activities, and these began to be undertaken energetically from 1955 on under the auspices of the Japan Productivity Center. But at this point one might ask what the focal point of all those activities—the concept of "productivity"—really meant. A brief explanation is in order, I believe, because it might help clarify why the pro-
ductivity movement that formed the model for the movement in Japan—that of Europe—was not widely accepted. The productivity concept is considered to have had both a wide and a narrow sense. In its narrow sense it meant the ratio between productivity and production; thus, for example, if 50 workers could produce 100 units that earlier had required 100 workers to produce, this was a case of productivity. In the wide sense, however, it meant the attitudes toward production that had an influence upon various facets of production; for example, human relations, marketing, intra-plant communication, prevention of waste, a willingness to adopt new technology or procedures, etc. This is the meaning of productivity that R. Goodrich, of the ICA, is talking about in referring to the German case:

The Germans had resisted the sending of teams to the United States since they believed that German technology was more advanced than American technology. Nevertheless, the Germans finally agreed to send teams, and upon doing so, they also learned about these attitudes which contribute in the United States to higher productivity. These attitudes include particularly a willingness by management and labor to adopt new ideas together with a dominating urge for accomplishment and the material rewards which go along with it.9

As can be inferred from this, the productivity concept had been understood in Europe in the narrow sense, as synonymous with the American style of management practices. Hence the substance of the productivity movement amounted to the diffusion of the American style of management practices. In this respect Japan was no different: the productivity movement in industry was thought, in this country as well, to mean the introduction and implementation of the American style of management practices.

Now, among the many different projects that productivity centers implemented, the ones that had a big impact on productivity

9 Record Group 469: Records of the Agency for International Development and Predecessor Agencies, Mission to Japan, Executive Office, Japan Subject Files, Box 2, letter from Frank L. Turner to Richard Goodrich, April 15, 1955. Mention is also made of England, where, despite the introduction of the newest machinery available at the time, productivity was 40% lower than in U.S. plants. The observation team from England thought they discovered the cause of the higher productivity in "something intangible," that is, in management.
improvement and the modernization of management practices were the various surveys undertaken by productivity observation teams and the publication of their reports upon the teams’ return to Japan, and the many seminars conducted afterward. The ICA summed up the objectives of the observation team projects thus:

1. To provide the participants, in a relatively short period of time, with a dramatic exposure to the underlying principles of free competitive enterprises and mid-twentieth century capitalism as practiced in the United States.
2. To afford the participants an opportunity to observe the manner in which American management, government, labor, and technicians cooperate in order to achieve a common objective: higher objectivity.
3. To observe how a free-enterprise system promotes an expanded economy and creates greater opportunities for all.10

The ICA guidelines clearly spelled out the policies to be followed in making up the observation teams, naming 10 to 13 as their desirable size, and dividing them in principle into impact teams, productivity teams, specialist teams, and multi-country teams. In Japan only the first three types were ever organized. When it came to implementing various projects in Japan the ICA gave highest priority to those items that were considered to be the weaknesses in the economy and to the most undeveloped areas: express highways, management system, and productivity techniques. Later, in order to promote regional economies, it gradually showed a great interest in productivity observation teams from certain designated regions. Thus in many different ways it paid careful attention to the composition and other particulars of the observation teams that would be sent from Japan.

Let us look briefly at the fundamental policies of the ICA in regard to the composition of observation teams.11

Impact teams were teams composed of leaders of industry, education, labor, and government. The top-management teams sent from Japan fell into this category. The aims of the observation trips were to gain an understanding of the dynamic, competitive American

10 U.S. ICA, Institutions.

economy, an economy that was continuing to make progress, and an awareness of the attitudes behind it; to awaken a desire for the realization of a prosperous economy like America's; and to observe such an economy in actual operation.

The areas to be researched were: advanced management techniques, management training techniques, industrial area planning and development, human relations in industry, and market research. The specific items that were to be observed by the first top-management observation team sent from Japan (which left for the United States in September 1955) were: top-management structure (board of directors, executive committee, and other policy-making organizations), philosophy (concepts of top executives toward public responsibility; top-management attitudes toward the public, government, employees, and trade unions), personnel management, and public relations.

Productivity teams were to be composed of members selected from high-level, influential representatives of management, labor, technical staff, and associations. These representatives would be people who by their prestige and position could exert widespread influence in the industrial sector upon their return home, or who at least were in a position to determine policy and take action when and where they may become convinced that action is necessary. The typical study projects for productivity teams centered on such specific areas as building materials, paper products, coal mining, rubber products, foundries, or work clothing. The tasks these productivity observation teams were to carry out in a specific industry differed, depending on the state of development of the economy in their country and on which industries had to be surveyed to serve their country's best interests; in the case of Japan's observation teams, observations were made of a large number of industries. Again, the observation teams that the American side pushed most strongly were teams composed of members from small business and from labor unions. This is because the Americans felt there was a need to work for the modernization of small business because of the large gap in basic working conditions, such as wages and working hours, between small and big business. Also, the Americans thought it was important to obtain greater cooperation from labor unions in productivity improvement. Labor union teams were included in impact teams.

Specialist teams were organized for the purpose of making a
detailed study of specific techniques or operations prevalent in a certain phase or segment of an industry. The membership of any such team was to be limited to qualified and skilled technicians in the particular field of study. The areas they typically studied included the following: thermal and hydroelectric power development; highway planning, construction, and maintenance; overall transportation studies such as air, rail, and truck transportation; dam, canal, and drainage engineering; electronic equipment in hydrographic and geodetic surveying; and peaceful uses of atomic energy. In addition to the above areas, Japan sent observation teams in a few others as well, one of them being quality control.

*Multi-country teams* were impact, productivity, or specialist teams whose membership was drawn from more than one country. Japan did not have any representatives taking part in such teams.

**THE SPECIFIC ACTIVITIES**

One important feature of the productivity movement in Japan was that it was carried out in a large number of different sectors: agriculture, manufacturing, trade.

The cooperative productivity program in Japan has been directed toward bettering industrial and business management; improvement in transportation; the development of power, including peaceful uses of atomic energy; improved labor-management relations; more effective utilization of upland agriculture, primarily for expanded livestock production; expansion of tourism; and the introduction of better methods and technology in Japan's small industries.¹²

The ICA supported a wide variety of technical assistance activities, including the sending of observation teams, the provision of technical services by sending consultants to Japan, the implementation of teacher exchange programs involving university staff, seminars to explain the programs for training managers and supervisors for American enterprise, and the production of bibliographical lists covering the topics of management system and human relations. Of these activities the activity that had the greatest impact on various cir-

¹² P. H. Trezise has provided an overview of the subject through his translation of an article by Masaki Shiga that appeared in the April 1961 issue of *Jitsugyō no Nihon*. See Record Group 469, No. 421, Japan Subject Files, Box 39.
cles within Japan was the sending of observation teams to the United States, where the participating members observed at first hand the economy and social conditions in America at a time when they were at their peak; these observation trips also led to the diffusion of numerous new bits of enlightening information when findings were publicized through the reports and seminars that followed the teams' return to Japan. To people in Japan in the 1950s, the United States, then enjoying the acme of prosperity, was seen as the model that Japan had to emulate if it wished to advance. It is for this reason that the number of observation teams sent to the United States (as opposed to countries in Europe) was so extremely great, as well as the number of representatives sent there. From the sending of the first team, the steel industry observation team, in May 1955 up to the 31st of December 1960, a total of 3,572 representatives went there. A breakdown of the figures shows that there were 200 industrial observation teams, 43 agricultural ones, 53 of labor union representatives, 7 atomic energy teams, and 4 miscellaneous teams that went there at their own expense. Again, when we break down in various categories the industrial teams that were sent by the Japan Productivity Center, we find that in the beginning most of the representatives were from big business; that, though there number always remained small, still, gradually more and more team members were from small business and labor unions; and that approximately the same proportion of industrial observation teams were sent as teams with specific themes. Another feature is that the sending of these observation teams led to the introduction of the management techniques of American enterprise.

Finally, let us see in summary fashion the impact on Japanese enterprise of the first seven observation teams sent to the United States in 1955–56. From this summary, which gives some of the concrete steps taken in each of four industries, we can see that, as a result of the sending of observation teams to the U.S., the newest management techniques brought into Japanese enterprise included marketing, human relations in industry, and things connected with the automation of production.13

13 The following lists are compiled from United States Operations Mission to Japan, The Productivity Program in Japan; A Summary Report of Program Progress as of June 30, 1956, 1956.
1. Steel industry

(1) Company reorganization to allow a higher degree of participation by the technical staff in management policy; (2) planned improvement in the comptroller system; (3) establishment of a preventive maintenance committee; (4) intensified study of industrial engineering and standardized costing; (5) introduction of teletype communications between company branches; (6) adoption of an eight-hour, three-shift system.

2. Automobile industry

(1) Consolidation of the comptroller system, introduction of tabulating machines, and the establishment of an incentive wage system; (2) introduction of a suggestion system; (3) an agreement, “Periodical Pay Increase Agreement” (Nissan Automobile Manufacturing Company); (4) adoption of an incentive wage system; (5) improvement of grievance procedures; (6) planned adoption of a conveyor system in all production processes; (7) planned introduction of office machines; (8) planned improvement of sales organization and procedures; (9) improved exploitation of the used-car market; (10) planned establishment of a workers’ cafeteria.

3. Electrical industry

(1) An intensified study of human relations; (2) intensified market research to expand sales of motors and home appliances; (3) standardization of industrial motors.

4. Shoe industry

(1) Intensified training-within-industry.

COURTLY AFTER ICA ASSISTANCE ENDS,
AND AN APPRAISAL OF THE PRODUCTIVITY MOVEMENT IN JAPAN

The technical assistance program of the ICA ended on 30 June 1961. The executive director of the Japan Productivity Center, Köhei Gōshi, led a group of people who prior to this date put forward a proposal to the FOA Japan Mission that a further three-year program be implemented for the period 1963–66. The reaction on the American side was negative toward continuation of the program. The reason for this was that the recovery of the Japanese economy had been remark-
able and it could no longer be thought of as a country of low development. The Americans also pointed out that there was a strong reaction from Congress, which wanted to cut back on fiscal expenditures. Thus it would be difficult, they said, to have a continued implementation of the program in a form similar to the present ICA assistance.\textsuperscript{14} The American government also felt that it ought to be implemented in some other way, for example, through the sending of self-financed observation teams, as was done by American representatives in the countries of Europe. Still, the American side also felt some form of assistance was necessary in regard to such things as labor unions, the peaceful use of atomic energy, or the setting up of airline routes. The reason for this was that they wanted Japan's labor unions, which were strongly ideological in their motivation, to stop pursuing class struggle and be changed into more businesslike labor unions, like those in the United States, while in those other areas where progress was lagging behind they felt some continuation of assistance was needed.

One may well ask what benefits resulted from the productivity movement in Japan. Well, in the first place, the movement had a major role in the modernization of management practices within Japan's enterprises. This was particularly so in the way in which Japanese businessmen, whose only knowledge till then of the techniques of management practices had been through the printed word, were deeply influenced when they saw the latest developments firsthand in the United States. And the timing of the observation team missions also came at precisely the most opportune time. This stems from the fact that, when American enterprise shifted from wartime production to peacetime production, it built up the mass production, or mass marketing, system, and for this purpose it was reorganizing its top management system and putting into effect advanced management techniques, in human relations in industry and other areas.\textsuperscript{15}

In the second place we probably must list the fact that, at the same time that the movement introduced individual specific management techniques, it gave a clear direction towards which Japan's economy

\textsuperscript{14} Record Group 469, No. 421, Japan Subject Files, Box 39, letter from P. H. Trezise to W. J Sheppard, April 6, 1961.

\textsuperscript{15} Record Group 469, No. 421, Box 19, Memorandum from J. W. Riddleberger to C. Douglas Dillon, Under-Secretary of State, January 8, 1960.
was to advance—by following, that is, the model provided by the United States. The scenario was drawn in bold outline: on one hand you had the United States, brimming with self-confidence on all fronts; on the other hand you had Japan, poor but full of progressive spirit, hungry to absorb anything and everything. The productivity movement led by America came to hold out to the eager Japanese people the dream that, if they brought about productivity, they too would enjoy the same rich lifestyle as the Americans did. And what happened was that Japan became America’s star pupil, carrying out the American-led productivity movement more faithfully than any other country in the world and laying the foundation for becoming the major economic power it has become today. The fact that a people who had lost all confidence in themselves after their defeat in the war would see the objective conditions in the advanced nations of the United States and Europe and conceive of the possibility of catching up with these advanced nations, or even passing them, and this would lead to the recovery of their self-confidence, is also certainly one of the major benefits of the sending of the observation teams.