The “Japanization” of America?

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ONE NIGHT during the week of the October 1987 stock-market crash, I turned on a late-night local newscast and saw an astounding lead story. It was a live report from a correspondent in Tokyo about the level of the Tokyo stock exchange (which because of the time difference had already opened for the following day’s trading); the report illustrated a profound change in the American national consciousness. Ten years ago, it is fair to assume, few viewers of the local news would have known that Tokyo even had a stock market, let alone that its price movements affected Americans.

Similarly, Americans of the 1970s would not have known what to make of the “Southeast U.S.-Japan Association,” whose meeting in Tokyo two weeks before the crash was described as follows in the National Journal:

In the halcyon days of American economic dominance, few would have thought it would come to this. The governors of six southeastern states—Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia—were standing solemnly for the playing of the Japanese national anthem before they set out to practically beg for Japanese investment for their home states.
The report referred to the governors' request as a "hat-in-hand performance."

The spread of America's psychological sense of dependence on foreigners and on the outside world will be one of the lasting legacies of the 1980s. To be sure, Americans in the postwar years have often felt that foreigners could harm us; we have worried about a Soviet threat, and we have believed that small nations like Iran or Cuba were pushing us around. But those long-standing anxieties differ from the newer feelings of dependence in three respects. Where we once worried that Iranians or Cubans might push us around in Iran or in Cuba, or that the Soviets might conquer some far-off land, we now worry about the influence of foreigners over the United States itself. In addition, the older anxieties centered around enemies, and thus were in important senses easier to deal with than our newer troubles with friends. Finally, the people who traditionally worried about our being pushed around tended to think that our problem was not an inability to assert ourselves, but rather a wimpish unwillingness to do so; they felt that an America that fought back would come back. While some today believe that wimpishness is to blame for America's trade woes, many others now think that the problem is lack of ability.

The foreign economic presence in the United States has grown significantly during the 1980s. Although foreign-owned firms still employ only about one of every thirty private-sector workers in the United States, foreign investment in America has increased dramatically. The dollar value of foreign investment in American productive facilities nearly tripled between 1980 and 1987, reaching $30.5 billion in 1987. The total value of foreign direct investment in the United States in 1987 was $262 billion, a figure that approaches the reported value of American direct investment abroad—although this comparison is misleading, since investments are valued at their original cost rather than their current value and American investments abroad are generally older than foreign investments here. In addition to direct investment in productive facilities, foreign holdings of American bonds, especially U.S. Treasury bonds, have increased dramatically as well.

Government spokesmen during the Reagan years argued that the increased foreign presence in the United States showed foreigners' confidence in our country's future, an indication that it was again "morning in America." Democrats, however, argued that the country was being put up for sale to foreigners to finance
the consumption binge of the Reagan years, and have predicted instead a "morning-after in America." The conservative Republican strategist Kevin Phillips, a populist who often criticizes Republican snuggling up to the economic establishment, has claimed that Japanese influence over American politics "is going to be a big domestic political issue for the last fifteen years of the century."

To understand the significance of the growing foreign presence, Americans must realize that the United States is simply arriving at a situation that the rest of the world has accepted for a long time. For years, other countries—not just in the Third World but also Canada, Australia, and our European allies—have had to live with foreign takeovers of important domestic industries, with foreign investment in their economies, and with the resulting precariousness of their national economic policies. National firms, national governments, and national cultures have been jolted everywhere by a tide of internationalization: foreign producers who are superior to their domestic counterparts have taken over their markets. In short, the internationalization that Americans have come to experience is not new. What is new is that American exceptionalism has expired. Previously, the United States was more the source than the object of internationalization; it was we who broke down walls in other lands with our appealing products, our appealing ways of running businesses, and our appealing culture. Now America is no longer simply the internationalizer, but also the internationalized.

The familiarity of our predicament becomes evident if one reconsiders a largely forgotten book that received much attention twenty years ago—The American Challenge by the Frenchman Jean-Jacques Servan-Schreiber. Servan-Schreiber's book was both a warning klaxon and a call to action. Its analysis of the growing American economic influence in Europe bears uncanny similarities to recent American books such as Robert Reich's The Next American Frontier, published in 1983, and Martin and Susan Tolchin's Buying Into America, published in 1988.

The American Challenge painted a grim picture of what the author menacingly referred to as a "flood" of American investment, an "assault" on Europe, and even a "conquest." Servan-Schreiber thought that Europeans could respond only by adopting the American traits that he admired—an ability to work together in teams, an emphasis on the long rather than the short term, and cooperation between business and government in moving industry forward.
His ultimate fear, however, was not economic decay but political and cultural violation. "By extrapolating present trends," he stated, "it seems clear that we Europeans cannot hope to participate fully in [the] world of the future. This does not mean we will be poor; probably we will grow even richer. We will be overtaken and dominated, for the first time in our history, by a more advanced civilization." He concluded:

Today's generation faces a ... choice of building an independent Europe or letting it become an annex of the United States.... Naturally there will not be any "American committee" to administer Europe.... Citizens would continue to vote, trade unions to strike, and parliaments to deliberate. But it would all take place in a vacuum. With our growth rate, our investment priorities, and the distribution of our national income determined by the United States, it is not even necessary to imagine secret meetings between Wall Street bankers and European cabinet ministers to understand that the areas that really count would lie outside the democratic process....

American capital and American management will not stop short at the gates of our society.... They will ... control the firms that dominate the market in publishing, the press, phonograph recording, and television production. The formulas ... of our cultural "messages" would be imported. Our system of education—in the large sense of channels of communication by which customs are transmitted and ways of life and thought formulated—would be controlled from the outside.

**Internationalization comes to America**

The new American sensibility parallels Servan-Schreiber's earlier fears, and—as is so often the case—popular culture illustrates the shift. Thus the 1986 comedy *Gung Ho*, directed by Ron Howard, has a very different setting than Howard's earlier television series "Happy Days." While "Happy Days" portrayed the comfortable, confident years of the late 1950s, *Gung Ho* takes place in a small Pennsylvania town after the local underpants factory and auto plant have closed. In desperation, the town sends a local worker to Japan, who successfully begs a Japanese auto company to set up shop.

The arrival of the Japanese to set up the factory reveals the town's dependence and subordination, if in a somewhat farcical manner. The Japanese are welcomed by a marching band and a large contingent from the town, dutifully waving Japanese and American flags. A band of high school boys has dressed up in karate garb to impress the new arrivals. When the Japanese take their shoes off to walk on the red carpet that has been rolled out
for them, the town's mayor, after a moment of confusion and hesitation, does the same.

*Gung Ho* is also filled with jokes about America's lost technological dominance. The worker who goes to Japan, for instance, lugs with him an old-fashioned home movie screen to show slides that he hopes will persuade the Japanese to open a plant in the town. But the Japanese regard his screen as a relic; after brushing it aside, they flick a single switch to set in motion a high-tech display with dimmed light, a screen appearing from behind a wall, and a synthetic-sounding female voice speaking Japanese. Later in the movie, some Japanese engineers in the plant are sitting in an office working on a car design when one of the wheels on their mock-up falls off. "American car," one of them says with a laugh, and the entire office dissolves in guffaws. This self-deprecating humor is reminiscent of British self-deprecation in the face of American economic dominance, which permeated the Beatles' 1966 movie *Help!* The British mad scientist in that movie was constantly dismayed at the failure of British technology to help him dislodge Ringo Starr's ring, finally resorting to a German Luger and to a contraption about which he exclaims, "This should work, it's from Harvard."

The contrast presented in *Gung Ho* between American and Japanese cultures strikingly resembles the one drawn by fearful Europeans between European and American cultures. The movie presents Japanese culture as monomaniacally oriented toward toil and sacrifice for one's company. The Japanese plant manager is so busy working at home on company business that he has no time to assemble a bicycle that his wife bought for their son's birthday, and another Japanese whose wife is in labor is not allowed to leave work to be with her. The American workers, by contrast, run into problems with their new Japanese bosses because they care about living a full life, not just about working ceaselessly. The Japanese prohibit the Americans from listening to rock music or smoking cigars in the plant. "I'm sorry," says the Japanese foreman, "no music, no cigars. Just work." When the Japanese wife asks her husband why American fathers have time to assemble their children's bicycles, the exasperated plant manager replies, "Because their work sucks." The Americans in the movie may be a bit lazy and goofy, but they have the right priorities—they care about family and friends. *Gung Ho* does not portray the raucous and beer-drinking American workers in the movie as being, à l'européen, too
civilized to share the crude, single-minded obsession of the foreign conquerors; nonetheless, the movie does suggest, very much in one sort of European spirit, that if Japan is taking over it is not so much because Americans cannot compete as because they choose not to, so as to maintain a saner way of life.

Like movies, the consumer products that we buy are an important part of our popular culture. The spread outside America of Coca-Cola and Levi's, and later of McDonald's, symbolized for many the external world's growing dependence on America. When I was growing up in the fifties, few imported consumer products other than Scotch and Canadian whiskeys impinged much on our consciousness; about the only thing that comes to mind, and this very much from a child's viewpoint, was Pez candy from Austria. And only three foreign companies in the United States produced brand-name products of any significance—Nestle with chocolate bars, Shell with gasoline, and Lever Brothers (the American subsidiary of Unilever) with Lipton tea, Lux soap, All laundry detergent, and a few other brands.

To the extent that we are what we buy, our identity has of course now become much more influenced by foreigners. Cars no longer mean only Chevrolet, Ford, or Cadillac, but also Toyota, Volvo, and even Hyundai; television sets no longer mean Zenith or Philco, but mainly Sony, Panasonic, and Hitachi. Beyond those brands are the Lacoste shirts, the Beck's beer, the Conran's home furnishings. In addition to imports, foreign brands produced in the United States now range from Schweppes mixers to Kikkoman soy sauce. And there has more recently begun a serious growth of foreign takeovers of American brand names—Firestone tires, A & P supermarkets, Bloomingdale's department stores, CBS Records, Pillsbury (with brands ranging from Pillsbury cake mix to Green Giant vegetables to Burger King), and, most recently, Columbia Pictures and part of Rockefeller Center. The takeover of Pillsbury by Grand Metropolitan of England has produced this ironic result: since Häagen-Dazs ice cream had been purchased by Pillsbury several years ago, that super-premium American brand (which took advantage of Americans' taste for things foreign by passing itself off as an imported product) now actually is foreign-owned!

The Japan obsession

Although Europe's direct investment presence in the United States is still considerably greater than Japan's (even in the most
recent years, net new direct investment from Britain has been larger than from Japan), our growing sense of dependence on foreigners centers on Japan. What has developed into America’s current obsession with Japan began innocently enough, with the publication in the 1960s and early 1970s of admiring though sometimes condescending accounts of the rapidity of Japan’s economic progress. Later, though, the obsession truly took hold, as the Japanese actually began beating the United States at all sorts of things—most dramatically, in the late 1970s, in producing that American symbol, the automobile. In 1979 the Harvard sociologist Ezra Vogel published Japan as Number One, which received some attention in the United States and was a bestseller in Japan; observers in both countries, however, thought that the book overstated its case. By 1981 the Japanese-American business professor William Ouchi had published the first of a spate of books on how Americans could learn from Japanese management practices, and in 1983 Robert Reich’s The Next American Frontier extended to government policy the search for Japanese prescriptions for American ills.

At around the same time—with the growing American trade deficit, the problems in old-line American manufacturing industries, and the resulting frictions over trade—American attitudes toward Japan began to shift from the earlier admiring curiosity and the newer admiring jealousy to an obsessive anxiety. Japan was beating the United States at everything it set its mind to; America appeared to be headed downhill. If the earlier symbol for the Japanese juggernaut was its victory in the automobile market, by the mid-1980s the symbol had become the Japanese assault on the semiconductor and (to a lesser extent) computer industries, regarded as the last bastion of a tottering fortress America. American super-sensitivity to evidence of Japanese domination caused a row when a Japanese firm tried to purchase Fairchild Semiconductor, a large but not particularly profitable old-line semiconductor company. It was unacceptable, the cry arose, for a producer of high-technology products used for national defense to fall into foreign hands. The problem with this argument was that Fairchild Semiconductor already was in foreign hands, having been purchased several years earlier by a French company. “Foreign” meant Japanese.

The latest major entry into the ranks of books on the rise of Japan was the 1988 bestseller The Rise and Fall of the Great Pow-
ers, which had a more ominous because more encompassing theme. Written by the British-born but Yale-residing historian Paul Kennedy, the book was an unlikely commercial success, a 540-page textbook-like account of the succession of European wars since 1500. The first printing of the book was a modest 10,000—raised from the planned 7,500 because of a hunch by the book's editor that "it might take off." The Rise and Fall of the Great Powers ended up on the bestseller list for several months, selling several hundred thousand copies.

It is likely that many of the book's readers skipped much of Kennedy's depressing chronicle of endless aggression and bloodshed to arrive at page 438, the beginning of the last chapter, entitled "To the Twenty-first Century." Here Kennedy presented an avowedly speculative survey of important trends facing the major world powers—the United States, the Soviet Union, Europe, China, and Japan. He developed twin themes, growing out of his reading of the fate of great powers over the last five hundred years. The first theme was that since the ability to wage a successful protracted war depends on superior economic resources, so does the ability to reach the top of the great-power heap and to remain there. The second theme was that dominant great powers tend to generate their own decline by making excessive military commitments (due to their very dominance) that consume resources better spent on promoting a strong economy.

Kennedy's book added a frightening new dimension to the Japan obsession: Japan's rise might not only displace the United States from its preeminent economic status, but also affect America's status as the leading power. This fear arose even though Kennedy considered the Soviet Union likely to be beset by increased economic stagnation and ethnic disintegration, and concluded that America's problems "are probably nowhere near as great as those of its Soviet rival." It is a measure of current American attitudes that Kennedy's view of the Soviet Union received almost no attention; people focused instead on America's difficulties in competing with a rising Japan. Some professors and politicians had been saying for years that the old East-West confrontation was being replaced, or at least supplemented, by a North-South struggle between the rich and the poor; but that message had rooted itself only dimly and partially in the national consciousness. Suddenly, however, people were much more willing to believe that the real struggle for great-power dominance was no longer between the United
States and its ideological enemy the Soviet Union, but between the United States and its economic competitor Japan. Even before the recent events in Eastern Europe, a far larger percentage of Americans had begun to state in polls that economic problems, not Soviet military power, posed the greatest threat to America’s future.

**The foreign-investment phobia**

The obsession with Japanese economic domination, which reached a fever pitch in the early and mid-1980s, overlaps considerably with the increased sense of dependence that marks America in the late 1980s. But there are differences as well. Our image of international competition is of two runners in a race. But the image involved in psychological dependence is different; one thinks of a master and a supplicant, who are not even presumptively equal enough to participate in the same race.

Our transition from the first image to the second came with the realization of the extent to which the American budget deficit was being funded by Japanese purchases of American government bonds. These purchases are encouraged, of course, by the American trade deficit with Japan—a result of United States-Japan economic competition. But the purchase of bonds changes the metaphor of the relationship from race to supplication; it is suggested that we now depend on the good will of foreigners to maintain our unbalanced budget. When foreigners purchase American companies on American land, the suggestion is that we are similarly being placed in a dependent position. To use a metaphor that has appeared in American political debate, we have become “renters” rather than “owners.”

In 1988 the first significant book ever published on foreign investment in the United States attracted attention for its glum view of an America losing its proud independence. Martin and Susan Tolchin’s *Buying Into America: How Foreign Money is Changing the Face of Our Nation* labors long and hard to make the reader conclude that foreign investment is not only significant but worrisome. Like *The American Challenge*, the book is full of scary metaphors. “Once they own your assets, they own you,” the Tolchins state on the first page of their book, quoting Senator Frank Murkowski of Alaska. They write: “As American multinationals threw themselves into foreign politics to protect their investments, as in the days when ITT overthrew the government of Chile and United Fruit ran Guatemala, foreign multinationals are doing the same to
America. The authors find that in its shift from net lender to net borrower, the U.S. bears "an eerie resemblance to Latin America"; they paint a picture of the American people subject "to the will of foreign bankers, who set their priorities and decide what they can buy and how much they can spend." One of their chapters, in fact, is titled "Brazil North."

Still, their discussion of the economic ill effects of foreign investment—except perhaps for their concern that foreign debt holders might suddenly call in their loans and provoke a national crisis—seems to grasp at straws. Instead, as with Servan-Schreiber, the Tolchins' real concern is the loss of political and cultural independence. They fear that domestic companies now owned by foreigners may establish political action committees that contribute to American political candidates, despite the prohibition against contributions by foreigners to American campaigns; the authors approvingly quote Senator Lloyd Bentsen's fear that this possibility "open[s] the door to foreign influence in our elections." They also speak ominously of "media penetration" by foreigners, and they note that "the ease with which foreign investors purchase American newspapers is unique," since "most countries recognize the importance of the media to their national well-being and restrict their ownership to their own citizens." These fears seem to be the chief impetus for the Tolchins' criticism of the competition among the American states to provide tax benefits and other inducements to foreign investment. (In this respect, Buying Into America resembles The American Challenge, in which Servan-Schreiber criticized European "collaborators" who offered similar inducements to prospective American investors.) "The states now lead the nation in shaping foreign investment policy," the Tolchins write unhappily, "unimpeded ... by the federal government."

The Tolchins' book as a whole, however, is strangely tentative. Often it approaches alarmed, even apocalyptic, conclusions about a foreign invasion and the loss of national sovereignty. But it usually qualifies such conclusions with a series of "on-the-other-hand"s. It even includes two chapters on how foreign owners did better than previous American owners in running two American plants. The final chapter, which discusses strategies for dealing with foreign investment, reaches the distinctly unapocalyptic conclusion that "although the United States has entered the global economy, where all nations sacrifice a measure of independence, America seems to have gone overboard."
The political-influence anxiety

Along with the increased attention to the growing foreign presence in American industry have come the beginnings of attention to foreign involvement in the American political system, and particularly to the kinds of involvement that the Tolchins took up in their book. Both the National Journal and Business Week have run stories on the growing lobbies maintained by foreign companies, and on state efforts to attract foreign investment. The first National Journal story on the topic (entitled "Japan Trying to Buy Washington Or Just Do Business Capital Style?") appeared in 1982. The basic problem for foreign lobbyists, the article noted, is "that foreign firms aren't constituents of any Member of Congress." It stressed the information-gathering role these lobbyists undertook for their clients and only hinted that foreigners were beginning to try to mobilize constituents. But the next year—when heavy lobbying was helping to defeat the protectionist “domestic content” automobile legislation introduced in Congress—Business Week noted the changes in lobbying techniques in an article entitled "The Powerful Lobby That Works for Japan in Washington." The forces opposed to the domestic-content legislation were bringing five thousand auto-import dealers to Washington; Business Week quoted a spokesman as noting that "we have something to say, and with at least one of our dealerships in most congressional districts, they're going to have to listen to us."

These later articles also point to a backlash against foreign involvement in the American political process. One of the lobbyists mentioned in the 1983 Business Week article confessed, "I try to tell them that I represent 35,000 U.S. citizens, and they look at me like I'm dirt." A 1986 National Journal article on lobbying by developing countries noted the introduction of a bill into Congress that would have prohibited Cabinet members, White House staff, and most presidential appointees (but not members of Congress) from lobbying for foreign entities for a full ten years after they had left government employment. And in late 1987 the National Journal ran an article—titled "Risky Representation"—that focused on the growing criticism of Americans who lobby on behalf of foreigners. "There is often an emotional charge," the article stated, "attached to the representation of a foreign client. That emotional intensity is heightened when the client's objectives are not purely economic in nature but extend to the political and national security arenas as well."
A similar heightened sensitivity now marks articles on state and local recruitment of foreign investment. The National Journal and Business Week each ran descriptive stories on such efforts in the mid-1980s. But a National Journal article in early 1988 on the same subject had a more worrisome tone, referring to states that had established "embassies" abroad (the article put the word in quotation marks, but its very use suggested that the quest for foreign lucre was giving rise to vaguely un-American behavior) and noting that the states "are treading what one governor calls a 'fine line' between representing their own interests and entering the foreign policy arena."

The economic, political, and indeed the broader cultural worries all came together in the summer of 1988, in a fascinating Business Week cover story called "Japan's Influence in America." The cover illustration featured an American eagle coyly hiding itself behind a Japanese fan. The article discussed Japanese funding of thirteen professorships at MIT, a Japanese-funded children's-television production of a Sesame Street adventure called "Big Bird in Japan," and the resignation of the head of a Japanese-supported think tank in the U.S. who quit after protesting efforts by Japanese sponsors to influence the organization's research. All this, the article concluded, "will test the character and integrity of America's institutions far more than any wave of imports ever did."

Should we worry?

What difference, finally, does all this internationalization make? My own view is that what overwhelmingly drives America's newfound status as internationalized rather than simply internationalizer is neither America's weakness (as the pessimists argue) nor its attractiveness (as the optimists maintain). It has less to do with us at all than with the foreigners who are doing the internationalizing. A number of strong economic cultures have now emerged, and people from those cultures want to mix their special skills and resources with those available in the United States. The internationalization of America mainly reflects the unsurprising fact that actions that only American firms could easily undertake twenty years ago can now be performed by foreign companies as well.

It is necessary to examine carefully each facet of the growing internationalization of America, to see whether (as is commonly asserted) it affects the policymaking ability of the national state.
Does foreign purchase of American government bonds, to take a current example, make us especially dependent on foreigners, since they might unload their purchases at any time? Not necessarily. The United States allows free capital outflows as well as free inflows, and the same things that might make foreigners wary of holding American paper would presumably also apply to sophisticated American purchasers. If there were concern, say, that the dollar might fall, not only foreigners might withdraw funds from the United States; Americans too might choose to buy yen-denominated financial instruments to benefit from the yen's gains. It is indeed difficult to use interest rates to stabilize an economy that permits capital to flow freely, because changes in interest rates affect capital movements and hence alter exchange rates and trade flows. But this difficulty has little to do with the distinction between foreigners and Americans, since both groups would respond similarly to interest-rate changes.

Does the internationalization of business make it more difficult to develop, say, national environmental or welfare-state policies, for fear that such policies raise costs and hence would drive capital away from one's own country? Not really. Environmental or welfare-state legislation can have real costs, as well as real benefits. But even if one closed one's country to foreign trade or to capital outflows, one would not eliminate those costs. One would simply pay them in the form of higher prices for domestically produced goods. Opening the borders does not make environmental or welfare-state legislation any more costly. If the country is to compete against cheaper foreign-produced goods, real cash wages must decline somewhat, but at the same time consumer prices are kept lower than they would otherwise be. The costs of the two policies are identical; the difference is that in one case they appear through a higher cost of living and in the other through lower wages.

Finally, the influence of foreigners on domestic political processes is a cause of concern for some. But if all firms in the United States were foreign-owned, business would certainly have less political power than it does now, since domestically owned firms are both more inclined and better positioned to influence domestic politics.

In the final analysis, the most interesting issues raised by the internationalization of America and the growing sense of dependence that it has produced are cultural. It is hard to miss the
plaintive “am I master in my own house?” tone of the American manager, quoted in the Business Week cover story on Japan in America, who notes that “when you’re sitting in a meeting, and it begins to get interesting, they suddenly start speaking Japanese only.” Neither the economic nor the political worries raised by the foreign presence make much sense except in the context of the cultural differences between foreigners and Americans. The fearful reactions to the foreign presence suggest that, internationalization notwithstanding, the national state remains not only a relevant policymaker but also a relevant focus of attention.

One may welcome Americans’ cultural fears as the assertion of deeply felt and positive traditions against the pressure of a bland homogenization, or one may deplore them as narrow-minded chauvinism tinged with racism. In either case, the new foreign presence invites, indeed demands, a political debate about how we wish to influence the content of our culture. My own view is that we should not seek to restrict the internationalization of America in the name of preserving a distinctly American national culture. The cultural result of internationalization is far less likely to be a bland homogeneous “international” culture than a variegated tableau of many national cultures. The relative equality that characterizes the interaction of cultures in a more international America may provide the best opportunity we have ever had to learn from different cultures; our previous exposure to other cultures has come largely from downtrodden immigrants whose search for economic opportunity or political safety led them to America but did not instantly put them on an equal psychological footing with us. We must complete the transition from a period in which Americans tended to consider our culture as better than the cultures of other nations to one in which we accept that we have things to learn as well as to teach. The end result will be the enrichment of lives as well as livelihoods. But managing the transition will be difficult. The debate over culture is crucial to the debate over America’s internationalization; if that debate is to be resolved constructively, we must think explicitly about how to conduct it.