The Rashomon Effect

In all the talk and discussion about the seriousness of the Japanese-U.S. trade imbalance—$37 billion in 1984, perhaps $45 billion this year—the underlying problem is the quite different value systems of the two countries. The trade deficit is simply a metaphor for this cultural conflict.

The American market system, in its idealized form, is acutely price sensitive. The American buyer tries to find the best combination of price and quality, or even price alone, in making his decision about which product to buy. It is no accident that Consumer Reports is America’s fastest-growing magazine.

The Japanese market, however, operates in a considerably different social system (vestiges of which can still be found in small-town America). The Japanese prefer to deal with their friends, even if this is more costly. As Murray Sayle writes in the New York Review of Books (“Japan Victorious,” March 28):

The Japanese exporter to the United States... needs only to offer a better or cheaper product, and he’s honorably in. But the would-be exporter to Japan finds the marketplace already seized up solid with a dense network of “friendships,” of layer upon layer of middlemen who have been doing business together for years, and who are, of course, all Japanese.

While Westerners do mix friendship with business, it is not set in concrete, as is the Japan model. The net effect, says Sayle, is two different economic systems: “One is a machine for sucking in imports, the other a ‘closed market’ dedicated to preserving the existing social order, or web of friendships, against the corrosion of the marketplace.”

This is why Senator Danforth and others expressed some skepticism over Prime Minister Yasuhiro Nakasone’s recent pledge to open up the Japanese market to U.S. bids on such former monopolies as telecommunications and tobacco. The skepticism is not about Nakasone’s intention but about whether even he can overcome the bedrock of the Japanese social system. It is, after all, remarkably stable, with the same political group holding power since 1952. How much can Nakasone shake this structure without bringing it down on himself like a modern-day Samson?

According to Sayle, there is more than a whiff of racism in Japan’s glorification of this system. And empirically, in terms of economic returns, there is much that points to its superiority. The Japanese, playing the import-export game by their own rules, consistently win. Their products are generally excellent: The three top-selling cars in the Western U.S. are all Japanese.

All this might be applauded—cheaper imports keep down inflation, after all—but for the growing total trade deficit now contemplated—perhaps $150 billion in 1985—and the federal deficit—somewhat larger. An historical review of the trade deficit with Japan is instructive: $2.1 billion in 1965, up to $20.8 billion in 1980. There followed a steady deficit of $21 billion three years running, until the explosion last year. How high might it go?

President Reagan, as a selective free trader, wants the deficit resolved on U.S. terms, by a reciprocal opening of markets. While the prime minister agrees in principle, can he deliver? To reduce the deficit to the $20 billion level—generally agreed to be sustainable—requires either a massive increase in U.S. exports or a sharp reduction in imports. Either way, the U.S.-Japan alliance, which is the linchpin of U.S. foreign policy in Asia, is placed at risk.

In the absence of Japanese willingness (or perhaps even ability) to absorb many more imports without giving up its domestic protection policies—rice is marketed at three times the world price, for example—U.S. protectionism will return in full force. The consequences of such a move can be foreseen: the souring of the U.S.-Japan friendship, decline in world trade, possible political turmoil.

This is another case where values matter. The U.S.-Japanese relationship is delicate in many ways. The benefits to both sides are enormous, but they cannot be taken for granted. Clearly, new trade rules will have to be hammered out in a give-and-take process. Once the new terms can be agreed upon, people of good will on both sides can work on the specifics of a trade arrangement that will satisfy the legitimate requirements of two friends caught up in an increasingly apparent love-hate relationship.

The trade deficit debate, then, transcends economics, involving as it does questions of values and politics. Each side will keep a close eye on the other. We will witness an exercise in perception and misperception. As Professor Robert Jervis of Columbia University has written: “In the political arena, people don’t realize how their opinions shape their conclusions. They see all information as independent confirmations of their view, not realizing—as cognitive psychologists have shown—that their bias preselects the information they notice and determines how they will construe it.” All parties to the debate must be alert to this Rashomon effect.

ROBERT J. MYERS

Robert J. Myers is President of the Council on Religion and International Affairs (CRIA), publisher of Worldview.