

## 15. A Statement Against Free Competition

Morozumi Yoshihiko

In the following selection, Ministry of International Trade and Industry (MITI) official Morozumi Yoshihiko outlines some of the reasons for Japan's support of a policy of "moderate concentration," or organized industrial cooperation. Morozumi made a number of such statements; this one dates from 1962.

"excessive competition"

The classic belief that the public welfare will be promoted by the invisible hand of free competition is held even today, but actually it is something else. Free competition provides neither the most suitable scale nor a guarantee of proper prices. Free competition means excessive equipment and low profits. In our country, the problem of excessive competition is being discussed. There are 64 Japanese trading companies in New York and 38 in Hong Kong. Fifty-three Japanese companies have entered into technical arrangements with RCA. Peabody and Company receives royalties from 17 Japanese companies on the Sanforizing process. Can one conclude from this that there is an "invisible hand" at work?

We must conclude that a policy of moderate concentration is a desirable thing, which will eliminate excessive competition and promote economies of scale. Increased concentration results in greater technical specialization and eliminates inefficient enterprises. By providing the conditions for workable competition, it will stabilize the rise in Japan's gross national product (GNP) and, especially, its exports. Free competition has a stifling effect on the economy. We must not allow it to be used in distributing the benefits of high growth—prices, wages, profits. If we have a problem in the suitable distribution of the economies of scale, we should correct it through public finance measures or the Fair Trade Commission. Our pressing, urgent business is the formation of a business system that will promote economic growth. [This statement was made in 1962, when growth of the GNP had averaged 15.6 percent per year for the previous three years.]

When the role of moderate concentration in the Japanese economy is being discussed, it is necessary to give consideration to developments in the division of labor, production specialization, equipment modernization, and operations of an efficient scale. There is an unstoppable trend taking place here. We cannot pause to theorize about the sort of influence that a policy of concentration will have. If our export strength is assured, the growth of our economy is assured.

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