

“WHERE IS CAPITALISM GOING?”

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“DURING THIS DEEP RECESSION, WHAT SHOULD GOVERNMENT AND INDUSTRY DO?” WHAT WOULD DRUCKER AND KEYNES SAY?

If they were alive today....Seventy three years ago, John Maynard Keynes wrote “General Theory” in the middle of the Great Depression, and forever altered economics. Peter Drucker, “the man who invented management”, was a management philosopher who also experienced the Great Depression.

What analyses and recommendations would they propose for economic policy and corporate management?

We asked Mitsuaki Ito, Professor Emeritus of Kyoto University and an authority on Keynes, and Atsuo Ueda, President of the Workshop for Peter Drucker's Management Philosophy, and Visiting Professor of Ritsumeikan University, how the economy and society will change under capitalism.

WHAT DRUCKER WOULD SAY.

THE CORPORATION IS A PUBLIC DEVICE. SOCIAL STABILITY SHOULD BE ITS AIM – DRUCKER

Q: Drucker's books are widely read in the business world, by management leaders and business people.

Mr. Ueda, you were a personal acquaintance of Drucker's for more than thirty years and were often consulted by Drucker himself concerning his manuscripts—it is said that you have been told by Drucker, “You know more about my books than me,” and, “you are my alter ego in Japan.”

What would Drucker say to business leaders?

A: “Challenge!” because if not continually challenging, organizations will fail, and capable employees will be spoiled, or resign. If quantity is impossible, he would say to aim for quality. Essentials are marketing, innovation, and productivity improvement. If productivity is improved in a shrinking market, your job may finish at three o'clock. In that case, holding management seminars and IT education enhance your employee's abilities. Don't cut staff, but weather the

recession by shortening work hours. Layoffs lead to social instability. Companies should not force people out into the streets."

Q: Laying off temporary workers has become a serious issue now.

A: "Drucker would never dream that such thing would happen in Japan. It deviates from the original purpose of employment, which is to have workers display their individual capabilities. Laying off a large number of non-regular workers— means that the enterprise cannot exist unless wages are kept low. You'd think it was growing but it was actually just bloated."

Q: In times of recession, the role of the corporation in society will be called into question. Drucker used to say that business organizations have to contribute to the stability and continuity of society.

A: "Drucker wrote in his latest book, *The Five Most Important Questions*, that each institution exists to make distinctive differences in the lives of individuals and therefore society. It is the essence of Drucker's management philosophy. He was always asking why corporations exist. Business provides the means for people to make a living, the bonding of society, and the means of self-fulfillment. In his latest message to readers in a business magazine, he called on business executives to think of their corporations as public institutions first. It was Drucker's hope that corporations and business leaders would earn the respect of society."

Q: It is said in economic textbooks that the purpose of the business enterprise is to maximize profits.

A: "It's wrong to teach that. Sufficient profit for doing business today and for doing better business tomorrow is the requirement. Because it is taught that maximizing profit is the purpose, employees go wrong, middle management goes wrong, and executives go wrong. Defiant cries of 'why is money-making wrong?', and reliance on non-regular workers are born of this. The only reason for the existence of the corporation should be for society and for people."

Q: Drucker holds Japan in particularly high esteem.

A: "Drucker saw Japan's high level of competitiveness derive from the corporation placing a value on its workers. He thought a key test as to whether an organization is good or bad is to see whether it becomes a community or not, or a living organism or not. But under today's conditions, his lament would be 'Japan, not you!'"

Q: What would Drucker answer, if he were asked by a top Japanese executive, “I understand what you are saying, but at this rate, our company will fail. Moreover, are you saying that despite these conditions we should keep our non-regular workers”?

A: “Is the company in such bad shape that it would go bankrupt immediately unless it closed down the workers' quarters? Doesn't the company have reserve funds? Japanese companies generally used to take care of their laid off workers with outplacement,’ he would tell them. ‘Presidents, remember how you felt as a young recruit; founders, remember how you felt when you started your company,’ he would want to remind them.”

Q: Then, what should we do?

A: “Both corporations and local government should be diligent and take numerous measurements here and there, mindful of each person, individually. Some local governments have already started to act, and some companies have started to hire their temporary staff as full time workers. For now, we need to press on. Drucker very much admired such bonds in Japanese society. Now is a good opportunity for reconfirming this.”

Q: What the role of government?

A: “Government cannot change the economy. Drucker wrote that saying that the remedy for recession is to boost government spending is the same as telling a sick boy the remedy is to date a girl and he will be fine. There are no standard measurements. Government policies should be decided meticulously, one by one.”

Q: The recession seems to be worsening.

A: “People tend to think that when times are good, things get better, and when times are bad, things get worse. In any case, the end will undoubtedly come. That’s what Drucker said. Don’t get discouraged. The day when the economy recovers, is not the day when a new age has started, nor the day when a new journey has begun. It is only the day when you change horses. History persists. Things you start now will continue even after the economy recovers. Drucker advises us not do things that destroy society; the essential things are people and society.”

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