

# BOOK REVIEWS

Both Japan-bashers and Japan-apologists agree that Japan's economic rise is unremitting and irreversible. Though the Soviet Union proves there is no certain connection between capital exports and great power status, the received wisdom deigns it simply a matter of time before Japan exploits its economic clout through the projection of political and military power. Bill Emmott, formerly the *Economist's* correspondent in Tokyo, dispassionately rejects this view, arguing that neither a Pax Nipponica, a Pacific Century, a Yen Bloc, nor even a mighty Japan Inc. is on the horizon.

In *The Sun Also Sets*, Emmott argues that Japan's muscle lies in its current-account surplus (capital and trade); in 1987, the current-account surplus of \$87 billion was nearly nineteen times the 1981 figure, the result of high personal savings, low consumption, a small government deficit, and declining corporate borrowing. Jitters about Japan's consequent foreign investment binge stem from an extrapolation from the current rate of growth of capital exports, and this in turn is predicated on Japan remaining a saving and producing nation. But suppose social and economic trends are heading in the reverse direction and the surplus begins to shrink? This is the provocative case Emmott makes: the very factors that characterized Japan's rise have changed under the influence of the rise and soon will bring on decline.

The trade component of the current-account surplus is already falling. From 1981 to 1985, growth was driven by exports. But since 1987, Japan has experienced a consumer boom with imports rising. Emmott points out that Japan's exports as a percentage of GNP are lower than those of France, West Germany, Britain, and Holland. The problem has never been that Japan exports too much, but that it exports more than it needs to pay for its imports. He believes this imbalance will continue to be righted: the Japanese are responding to low prices by buying more imports. Any casual observer can see the craze for Louis Vuitton and McDonald's. Televisions and other medium-tech goods imported from Taiwan and Korea are selling briskly at 40 percent less than made-in-Japan goods. What is more, even before the dollar fell against the yen, the 300 largest U.S.-owned firms in Japan had

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THE SUN ALSO SETS: THE LIMITS  
TO JAPAN'S ECONOMIC POWER  
Bill Emmott/Times Books-Random House/292 pp. \$19.95

THE END OF THE AMERICAN CENTURY  
Steven Schlossstein/Congdon & Weed/537 pp. \$22.95

David Brock

locally produced sales of \$43.9 billion in 1984, a product penetration virtually that of Japanese firms in the U.S.

Protectionist policies and cultural bugaboos have thwarted food imports to Japan, but Emmott reports that import controls, guaranteed prices, and official handling of food distribution are being phased out as consensus gels that lower food prices boost growth. The farm lobby is losing power: in 1987, Japan cut the price of rice by six percent, the first cut in the producer price in forty years. Consumer preferences are shifting: the Japanese are eating 40 percent less rice today than thirty years ago, and more (imported) protein and wheat. A second problem has been selling to commercial firms that are loathe to use foreign suppliers. Yet the yen's rise has sent manufacturers abroad looking for cheaper suppliers of parts and components. In 1988, more than half of Japan's im-

ports were manufactures, up from a third three years earlier.

As to the savings portion of the surplus, Emmott maintains that youth has been the decisive factor. Labor costs have been low and little has been paid out in pension or social security benefits. By 2020, 23.5 percent of the population will be over sixty-five, and living longer, up from 12 percent in 1990; the flip side is a falling birth rate. Not only do the elderly not save, they are a drain on savings. Younger workers will be paying more of their weekly checks to social security. At the same time, the perceived reliability of the pension system is causing the personal savings rate to fall. The ratio of savings to disposable income was 23 percent in 1975; by 1985, it had fallen to 16 percent, lower than Taiwan's and Italy's.

What matters, though, is not so much the absolute supply of savings as the balance between the supply of sav-

ings and the domestic demand for them. During the 1980s, the government cut its deficit to almost zero, borrowing and investing fewer savings each year. Companies' capital investments also fell. But the government since 1986 has been expanding public works spending to stoke growth, and companies are increasing sharply their domestic fixed investments in response to the high yen. As savings slip and demand steps up, Japan, in need of capital, will run a deficit on the current-account of its balance of payments. This closes the circle: once Japan loses its role as a net creditor to the world, it loses its leverage.

That, in shorthand form, is Emmott's forecast. Underlying Emmott's thesis is an analysis of Japanese culture that refutes the so-called revisionist school, which endorses the very notions of Japanese exceptionalism advanced by the ruling mandarins the revisionists think they are rebutting. "The Japanese are not a breed apart," Emmott writes. The neomercantilist fortress is crumbling under modern pressures not unlike, though far more attenuated than, those that brought down the Berlin Wall; the country is moving in the direction of "more competition, more freedom, more choice." The surplus of capital that stayed at home in the 1980s altered the shape of financial markets by spurring deregulation, creating new markets, and denying bureaucrats control over economic life. The Ministry of Industry and Trade Information, the reputed mastermind of the "Japanese miracle," has relinquished its role as policy-maker to become merely an information-broker. Neither does Emmott subscribe to the "invincible Japan" model advanced by the Harvard Japanophiles Ezra Vogel and Edwin O. Reischauer. They portray the Japanese as frugal, but Emmott thinks they're the ultimate consumers. Japan's "workaholics" put in long hours to collect overtime or because of peer pressure, but they do no more work in ten hours than others do in seven or eight. The work force is increasingly mobile and entrepreneurial, with only one-third enjoying "lifetime employment."

The book would have been enhanced by a discussion of the political fallout from the Recruit scandal, which has loosened the Liberal Democratic party's stranglehold. Without that, the discussion here of Japanese politics makes



more equivocal the cultural and economic prognostications. "The way power operates in Japan tends to make it inward-looking, ensuring that international affairs are neglected in favor of purely domestic interests," the author writes. "It instills and preserves a protectionist instinct. Prime ministers rise from the shifting sands of factional politics, not from any popular vote or mandate." But in answer to Dutch journalist Karel van Wolferen's much-touted argument that the "system" is incapable of meaningful reform, Emmott writes that Japan responds "when a powerful force pushes for change. That force is usually money or a market, mixed with self-interest."

Emmott is right about that, though he may be wrong in assuming that the Japanese will not adapt to these forces and come out on top anyway. Who is to say that the self-denying strain in the culture won't overwhelm the consumerist instinct and result in a continued squirrelling away of savings by the young despite demands on their income, or, conversely, that elderly Japanese will spend like retirees in the West? Emmott also leaves aside the question of why the "unshackling of the economy" should mean weaker rather than stronger performance in the long run.

Yet even if a precipitous decline is not in the offing, *The Sun Also Sets* supplies an important lesson for U.S. policy. Any move by Japan toward free markets and foreign goods will come from a domestic political, economic, and cultural dynamic, not from the demands of foreign governments. So the only productive course for America is to turn inward to meet the Japanese challenge, which is often overstated and dramatized as a way to measure by comparison America's decline. This is a false paradigm that has the effect, intended or not, of sapping American optimism. Rather than wishing America play to its strengths, the policy intellectuals have concluded grimly that America should surrender its free-trade beliefs in favor of Japan's managed-trade approach. Evidencing his contrarian outlook, Emmott writes: "The choice, certainly for the next quarter century, is between degrees of American leadership and dominance. It is simply not between America and Japan."

This last point brings us to Steven Schlossstein's mistitled *The End of the American Century*, a crass attempt to entice Professor Paul Kennedy's doomsday market. This is most unfortunate, because Schlossstein's book, unlike Kennedy's, deserves some serious attention. The author offers a wonderful parody of the current hysteria surrounding the Japanese juggernaut. Looking back from the year 2001,

Schlossstein reveals that in 1993, holding more than two-thirds of Washington's total foreign debt, Tokyo refused to take another IOU from Uncle Sam and boycotted new treasury bond issues. In 1995, Mexico defaulted on its debt, and Japan stepped in and reorganized the country into a "capitalist development state" (Chalmers Johnson's phrase for government-driven industrial growth). Japan then abetted a coup in the Philippines, forcing a U.S. withdrawal from the Clark and Subic bases. By 2001, Japan had become a nuclear power, presiding over a United States of Asia.

This exercise in exaggeration is a way for Schlossstein to posit U.S.-Japan competition as, fundamentally, a clash of values, an original contribution to a debate that focuses mostly on matters like "market access." Schlossstein believes the American century can be extended into the next millennium by mixing our competitive ethic with certain Japanese social cues—a twist to the conventional "more like Japan" question.

In his travels to Japan as a business consultant, Schlossstein has uncovered several Japanese norms about which one rarely reads (though these are related in an annoyingly belabored manner, as in "Mr. Amaya told me over a cup of pale green tea"). Mothers in Japan function as "tutors, motivators, and cheerleaders." Each day, students carry to school and back home notebooks in which mothers and teachers correspond. The family buys two sets of textbooks, one for the child and one for the mother. Sometimes, children are disciplined in school for disobedience at home. This compares favorably to the U.S. system, where the roles of teacher and parent have been overtaken by the whims of faceless administrators, politicized unionists, and the ACLU. The "liberation" of American women, he argues, has had catastrophic social costs and is in fact the root cause of America's competitive lag. In Japan, children, rather than the parents, are the true object of marriage, whereas the American family has been decimated by "role confusion," "freechoosing, self-defining baby-boomers," and "falling standards of moral legitimacy." Where the U.S. has social service bureaucracies, the Japanese put the extended family into play. Japan has harsh penalties and strict interdiction against illicit drug use; America has crack babies.

Less interesting are Schlossstein's prescriptions for an American renaissance, though it is useful to have a compendium of sound ideas in a book on U.S.-Japan relations: it shows what the U.S. can do on its own, independent of what Japan does. This includes reducing the tax on capital gains, to en-

courage savings; eliminating cost-of-living allowances and adopting strict means tests for federal entitlement benefits, to cut the deficit; introducing vouchers and tuition tax credits, to make schools more competitive and enhance parental choice; and revising the tax code, to provide incentives for families to stay together. Trade policy should take precedence over trade politics: special-interest groups like beef producers and tobacco farmers pack too much clout in Congress. In foreign affairs, Schlossstein also sees the choice as America's: only if we withdraw into an isolationist posture will the values of freedom and liberty in the Asian sphere be replaced by China, the Soviet Union, or a "rearmed, authoritarian" Japan.

Certainly Schlossstein has pressed all the neoconservative buttons: decentralization and entrepreneurship at home, confidence and assertiveness

abroad. In this he exhibits the same confounded habit of the neoliberal mind on full display in a book such as *More Like Us*, in which author James Fallows argues persuasively that the answer to America's Japan problem lies in a renewed bourgeois ethos, only to end up paying obeisance to the dominant strain of fancy thought in Democratic circles: economic nationalism. Thus, Schlossstein notes that the cumulative impact of Japan's "closed markets" is at most \$10 billion of a total annual trade deficit with Japan of \$50 billion; yet he endorses the 301 provision of the Gephardt trade bill, designed to accomplish the impossible task of forcing open Japan's markets through trade retaliation. In one passage he declares that "implementing new manufacturing strategies is up to industry, not government," and in the next proposes a federal "industrial policy council that would coordinate national economic policy." While his thesis preaches the virtues of competi-

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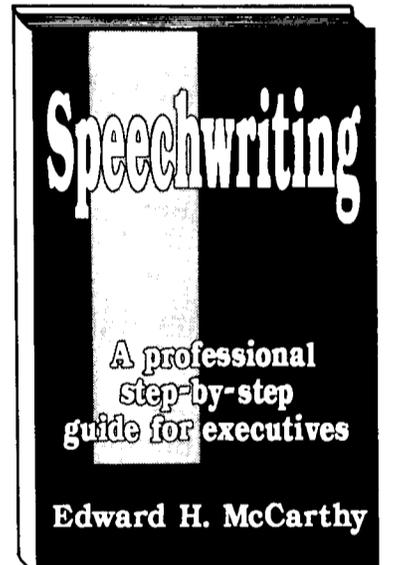
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tion, Schlosstein believes the U.S. should mount "a concerted defense against Japanese acquisition of American companies in strategic industries."

Schlosstein's indictment of the effects of the counterculture on the American enterprise is likely to be spurned by the Japan-bashing intellectuals and their allies in the Democratic party in the current full-tilt offensive

against Japan. But they will be quite receptive to his argument for more central control of the U.S. economy, a retrograde, even perverse, proposition in an age when just about everyone but Fidel Castro has conceded the model's failure. It would be a tragic irony if—just as Japan too is liberalizing, as Bill Emmott reports—the U.S. should abandon the winning strategy. □

## EDWARD TELLER: GIANT OF THE GOLDEN AGE OF PHYSICS

Stanley A. Blumberg and Louis G. Panos  
Charles Scribner's Sons/306 pp. \$24.95

Saul Lewis

Near the conclusion of their absorbing biography of Edward Teller, Stanley Blumberg and Louis Panos describe a most revealing encounter. It was back in 1987, and Gorbachev was in town, attending a White House reception given in his honor by President Reagan. As Edward Teller reached the head of the reception line, the President smiled and said to Gorbachev, "And this is Dr. Teller."

Gorbachev did not respond. So the President tried again. "This is the famous Edward Teller." When Gorbachev coolly observed, "There are many Tellers," Teller answered, "I agree," and walked away.

Gorbachev's undisguised hostility to Teller is quite understandable. For other than President Reagan himself, it is unlikely that there was anyone in the White House that evening who had done more to undermine Soviet power, and bring about the crisis of Communism, than Edward Teller. Yet throughout the West, it is Gorbachev who is hailed as the great peacemaker, while Teller is shunned as a "war criminal" (Berkeley students), an "enemy of humanity" (Nobel laureate I. I. Rabi), and, in the aftermath of the 1954 Oppenheimer hearings, a "Judas."

How this fantastic misunderstanding came about is recounted by Blumberg and Panos with clarity and insight. They trace Teller's life from his birth in Hungary in 1908, to his studies under such scientific giants as Werner Heisenberg and Niels Bohr, to that crucial day, May 10, 1940, when the young physicist, recently arrived in the United States, heard President Roosevelt address a scientific conference in Washington.

FDR called on the assembled scientists to "protect and defend, by every

means at our command, our science, our culture, our American freedom and our civilization." As Teller recalled FDR's speech nearly half a century later, "I had the strange impression that he was talking to me. My mind was made up, and it has not changed since."

Teller's decision to use his scientific acumen to help defend America marked the start of a long and conflict-ridden journey. It was a journey that took him to Chicago and Los Alamos, where he worked with Enrico Fermi, Hans Bethe, and John von Neumann to develop the atomic bomb. From there his commitment to military research took him to the Lawrence Livermore Laboratory in California, where he was the key figure in the development of the hydrogen bomb. Finally, his commitment to defense took him to Capitol Hill and the White House, where he played a decisive role in launching the Strategic Defense Initiative.

Yet despite his intense involvement in defense policy, Teller was not, at the start of his career, politically



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minded. On the contrary, he seemed to believe that scientists should stick to science, and leave politics to the politicians.

Thus it happened that when Teller's mercurial friend, Leo Szilard, asked him in 1945 to sign a petition calling on the President to demonstrate the power of the atomic bomb over an unpopulated area before using it against the Japanese, Teller felt torn: On the one hand, he was inclined to agree with Szilard. On the other hand, he questioned the propriety of scientists involving themselves so directly in political controversy.

To resolve this dilemma, Teller approached the head of the atomic bomb project, J. Robert Oppenheimer. Oppenheimer advised Teller to stay out of politics. The issue of the bomb's use, Oppenheimer said, should be left in the hands of Washington officials who were "the best, the most conscientious men," and who "had information which we did not possess."

Teller was more than happy to comply with Oppenheimer's counsel, and refused to sign Szilard's petition. Later, however, Teller learned that at the very moment Oppenheimer was advising him to refrain from political activity, he was also using his immense scientific stature to urge the immediate atomic bombing of Japan. This duplicity not only embittered Teller against Oppenheimer; it was also the start of Teller's political education.

His political education was further advanced during the controversy over the hydrogen bomb. Even while working on the atomic bomb, Teller was convinced that the heat generated by an atomic explosion could be used to trigger a much more powerful thermonuclear explosion. Teller was also convinced that it was vital for the United States to develop such a weapon ahead of the Soviets. As he told Blumberg and Panos, had the Soviets gained a significant nuclear advantage over the United States, "I am not saying that they would have attacked us. The men in the Kremlin, unlike Hitler, are very cautious. But there are such things as political blackmail. And the weakness of our position, in that case, would have left us vulnerable to their pressures."

But in his efforts to rally American physicists behind the H-bomb project, Teller found his path blocked by Oppenheimer. Once again, Oppenheimer used his scientific prestige to achieve his political goals—in this case, to prevent the United States from building the H-bomb. Oppenheimer argued that such a bomb could not be built, and that even if it could be built, it was morally wrong for the United States to do so. Besides, once we built an H-bomb, the Soviets would be compelled to do like-

wise, and the world would be that much closer to Armageddon.

Oppenheimer's argument was one of the earliest statements of what has come to be called the "action-reaction" model of nuclear arms races. In this model, Soviet actions are seen as responses to American actions, and American actions are seen as responses to Soviet actions. This "action-reaction" pattern leads to an escalating arms race—and, eventually, to nuclear war. But if the United States were to refrain from acting, the model predicts that the Soviets would refrain from reacting, the "action-reaction" cycle would be broken, and peace would be preserved.

Today, of course, the action-reaction model has been largely discredited. For when the United States, during the heyday of détente, unilaterally refrained from building up its nuclear arsenal, in the hope of encouraging the Soviets to do likewise, it found that the Soviets were playing by a different set of rules. As former Defense Secretary Harold Brown once put it, "When we build, the Soviets build. When we don't build, they still build."

All this, however, was not as clear forty years ago as it is today. In the late forties and early fifties, most American scientists agreed with Oppenheimer, not Teller. And no one—not even Teller—knew that while the Americans were debating the morality of building an H-bomb, the Soviets had already launched a crash project to build such a weapon—a project which involved, among others, a gifted young physicist named Andrei Sakharov.

Indeed, it was only with the publication of *Sakharov Speaks*, in 1974, that it became clear that the Soviets had decided to build the H-bomb before the Americans did, and not in reaction to America's decision. And even today, it is not widely known that the first thermonuclear device was tested by the Soviets in 1950, about a year ahead of the United States; and the first deliverable H-bomb was exploded by the Soviets in 1953, seven months ahead of the United States.

But if Teller did not know very much about the Soviet H-bomb project, he had grown sufficiently sophisticated, politically, to beat Oppenheimer at his own game. Mobilizing whatever allies he could find in the scientific community, in Congress, and in the State and Defense Departments, he eventually succeeded in getting President Truman to commit the United States to the development of a hydrogen bomb.

But the battle was a bitter one, and it left Teller scarred. The scars had not healed in 1954, when Teller testified in the Oppenheimer security clearance