

Convoy Capitalism

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A term introduced by Leonard J. Schoppa in *Race for the Exits*, Convoy Capitalism is used to describe how the Japanese economy works mainly between the 1960s and 1980s. The term 'convoy' is used to describe an act of accompanying or escorting, especially for protective purposes and usually used to describe a group of ships and vehicles. In Japan's system of Convoy Capitalism, the Japanese government acts as a convoy guiding and protecting Japanese firms to achieve economic progress. The system was effective during Japan's high growth years from the 1960s to 1980s, resulting in what was known as the economic miracle. Yet, it was also because of this system that Japan is facing difficulties in recovering from economic stagnation brought about by the burst of the bubble in late 1980s.

Convoy Capitalism had both productive and protective elements that were mutually reinforcing.

Productive:

The role of the central bank, cartels, extensive regulations carefully managed by the state have played an important role in contributing to the success of Japanese export industries and Japan economic growth of the country.

Protective:

Firms and Women form the main umbrella that protects the economy. Firms faced restrictions on their ability to lay off workers during recession. This resulted in the formation of the Japanese style management which consists of lifetime employment, seniority wage system and labour unions. Firms also had to pay high prices for electricity, financial services, construction, transportation and retailing. In return, they were sheltered from market forces and international competition by extensive government rules and regulations. Financial firms also played a role in protecting banks from financial instability. If one firm was to face issues such as financial problems, larger firms like the *keiretsu* and central bank will pump money into that firm to ensure the continual of operations. Even if a firm had to close down, other firms will take in the employees to prevent cases of unemployment.

On the other hand, the role of women was restricted to that of a caregiver. They are expected to devote themselves fully to the family by providing care for the children and elderly and in turn, allow men to devote themselves fully to work.

I quote Schoppa, "These policies work together to provide Japanese firms with a secure and predictable business environment in which they could make long-term relational commitments to workers, suppliers and distributors" (Schoppa, 2006, pp.11)

However, globalization, socioeconomic changes and changing in aspirations of people especially women have made it increasingly costly to maintain the system. Globalization has increased the volatility of the market. Firms now find it difficult to be competitive and contribute high costs to maintaining the convoy capitalism system. Women, on the other hand, no longer aspire to be full-time housewives. The proportion of women choosing to remain single or marrying later is increasing. Without women as caregivers coupled with the ageing population, there now a lack of social security in Japan. Due to economic stagnation brought about by the burst of the bubble, the government is now facing issues to continue maintaining the Convoy Capitalism.

Schoppa L.J 2006. *Race for the Exits, The Unraveling of Japan's System of Social Protection*. Cornell University Press. Ithaca, United States.