

dissolution. She draws on history for two successful examples — Norway's split from Sweden and Singapore's separation from Malaya. (One of the difficulties of this approach to historical evidence is that the reader wonders whether other examples support or contradict the author's thesis. Ireland, for instance, is another country that separated from a larger neighbour.) Despite some examples of separations, the author does not expect many city states to emerge. Instead, the world must drift on, hoping that in small ways innovation will continue and some cities will maintain their vigour.

This contrasts oddly with her rejection of neoclassical adjustment mechanisms in the case of factor movements into and out of backward regions and with her critical attitude to economic analysis in general. In her historical reviews, she does not analyse in any detail the differences between city growth in periods when exchange rates were fixed and when they were flexible. It would have been interesting, for example, to know her views on urban development in Britain under the gold standard compared with conditions in the 1970s in Britain and elsewhere.

The author's emphasis on the need for place prosperity also raises questions. Why should people want to accept the uncertainties that a local currency would involve? What would they gain individually? If they were accepting of uncertainty why would they not choose to accept local wage cuts and stay within the nation? This alternative is not analysed in the book.

The title of this book expresses its ambitious aim. The principles of economic life that it espouses, the importance of cities to economic growth, have been developed by the author in her earlier work. yet economists tend still to ignore urban aspects. I suspect that there is little in Jane Jacob's latest argument that will convince them of the need to change their ways.

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**Made in Japan: Akio Morita and Sony** by Akio Morita with Edwin M. Reingold and Mitsuko Shimomura

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Akio Morita may be the only Japanese businessman to have been accorded the David Taylor/Trog treatment in *Punch*. His book gives the same impression as that broken-English interview did: consumer electronics is enormous fun. I suspect that ghost-writing *Made in Japan* was also fun. It's beautifully crafted, with that art that conceals the artfulness. (To take the simplest example, when Morita *et al.* begin seriously to criticise US trade practices, they smoothly work-in an anecdote showing that Americans, unlike Japanese, have the great virtue of not minding being attacked in public.) The book has no evident structure — it's partly chronological, partly a series of essays — and yet everything is in the right place. The language has a simplicity that suggests a Japanese whose conversational English is very good; this is presumably the work of Reingold, who leads the Tokyo bureau of *Time*. If one were teaching writing, this book would be for the master class.

*Made in Japan* is at least two things, inseparably interwoven. It's the life story of a "fifteenth-generation heir to one of Japan's finest and oldest sake-brewing families", who was made to attend board meetings from the age of eleven and who at that time was more interested in making electronic devices than anything else. In his mid-20s, he joins an older friend and half-a-dozen other enthusiasts in the remains of a bombed department store. The Tokyo Telecommunications Research Laboratories, as they call themselves, grows into the Sony we know today, and in the process young Akio learns how to manage a business, how to sell overseas, and how to start new companies overseas, bridging each cultural gap as he comes to it. The firm starts by importing technology, and subsequently scores a number of firsts; one member discovers electron tunnelling, for which he later receives a Nobel (Leo Esaki), Morita achieves his ambition of helping to turn the words 'made in Japan' from a synonym for shoddiness into a respected hallmark. Hence the title.

Now the other thing, Morita is a leading member of the Electrical Industries Association of Japan, the national Federation of Economic Organisations, Morgan Guaranty Trust, the Japan — US Businessmen's Conference, Pan American and IBM. ("Every day I am given homework by my secretaries. I have two fibreboard boxes with me always — one is black, the other reddish. The black one contains all the domestic material I must deal with and the reddish one is all international. . .") Like so many Japanese since 1854, he is deeply worried about what Westerners — above all, the Americans — might do next, and he is playing his part in the richly complex national strategy of preserving independence from the barbarians by going into partnership with them. Industrial competition is a game that Japan learned from the West. It is a game which Morita — a classic Schumpeterian entrepreneur — hugely enjoys and regards as beneficial to all. The problem is that "America and Europe. . . have forgotten their own lessons".

Morita stresses the attempts that he and others like him have made to remind us: Sony's 'US Sell to Japan Division', to demonstrate that US manufactures were not excluded from Japan ("but we had some problems with our suppliers"); the US and European subsidiaries, showing what Western industrialists could have done for themselves if they'd tried. ("One of the ironies of the situation today is that almost any 'American' television set is about 80 per cent Japanese inside, but ours is more truly American than theirs.") Competition — for which, a little over 100 years ago, there was no word in the Japanese language — is Morita's religion. One of his more remarkable works of evangelism is the series of meetings between representatives of Japanese and European companies, so that the former can enlighten the latter as to the kinds of products that are likely to be feasible and saleable ten years hence. If the Europeans are willing to learn, the resulting competition will benefit the customers; if they aren't, they can't complain that they weren't given a fair chance. The way Morita tells it, it's fatally easy to become a monopolist, but no fun.

What worries him is that Westerners who have forgotten how to play the competition game may render it unplayable: partly by deliberate regulatory and legal obstruction, and partly by the side-effects of speculation in company ownership or simply in money. Morita does not believe — as free-market theorists commonly do — that takeovers or prospective takeovers can

stimulate companies to greater efficiency; he believes that they destroy purpose and morale. (His industrial psychology is reminiscent of the late Chester Barnard.) He does not believe that an unregulated currency market assigns each currency a realistic value; quite the reverse — it makes trade so uncertain that “it takes a very good sixth sense, or perhaps a dash of foolhardiness, to invest”, with the result that there is less real investment and more money-dealing, and the destructive spiral continues. (As Keynes put it, reflecting on Wall Street in the *General Theory*: ‘Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation.’) The book ends with a plea for freedom of trade, and for regulation of currency along the lines of the European Monetary System.

Morita has given us a rare view of the mind of a modern asset-builder (opposite of asset-stripper, I suggest). He does not claim to be typical of anything, East or West, but among Japanese industrialists he obviously has the numbers in various trade associations. One Australian reviewer was struck by the many points of agreement between *Made in Japan* and the recent *Political Essays* of the ‘moderate leftie’ Hugh Stretton. If that is the case, it’s a grim sign of where our politico-economic agenda has drifted to. It is our left that is the custodian of Samuel Smiles; our right preserves only the shades of Harriet Martineau and her fellow parasites (as Alfred Marshall called them). That, perhaps is why the chairman of Sony is so worried about us.

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