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Amidst Global Financial Chaos

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THREE WISE MEN FROM THE WEST GO TO JAPAN

Excerpts from Chapter 10

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Three Wise Men from the West Go to Japan

. . . that things are not so ill with you and me as they might have been, is half owing to the number who lived faithfully a hidden life, and rest in unvisited tombs. George Eliot, *Middlemarch*

Chapter 10 begins as follows:

In the aftermath of World War II, from 1945 to 1952, the victorious United States set out to turn Japan into a Western-style democracy. Considering the obstacles in the way, it enjoyed remarkable success. Almost every aspect of Japanese life would be transformed; the rule of law was restored, farmland given to the peasants, wealth in general redistributed, human rights such as freedom of speech and of the press guaranteed, women's suffrage introduced, and a divine ruler converted into a constitutional monarch. Roosevelt's New Deal would have a profound effect on the social order that emerged; indeed, some have argued that it had an even greater impact on post-war Japanese society than it ever had in the United States.

The American Supreme Commander, General Douglas MacArthur, was not only a successful military commander – he was also a great populist reformer whose footprints, metaphorically speaking, can be found all over Japan to this day. His activities were governed by a Secret Directive, numbered JCS 1380/15 and issued by the US Joint Chiefs of Staff, paragraph 25 of which prescribed that he was to 'show favor to policies that permit a wide distribution of income and ownership of the means of production and trade'. That chief executives of large Japanese companies are today paid only eleven times the wages of an ordinary worker is in part due to him; the comparable American figure is 475 (Germany enjoys the next lowest multiple: twelve).¹ Col. Robert McCormick, the right-wing editor of the *Chicago Tribune*, whom we met briefly in Chapter 5 and who had been one of MacArthur's greatest admirers, was so shocked when he heard about the general's 'socialist' reforms² that he flew to Japan to discover for himself what was going on. His worst fears confirmed, he abandoned his campaign to make MacArthur president of the United States; Japan's gain would be America's loss.

This chapter then describes:

- *How MacArthur applied New Deal-style social policies in Japan.*
- *How the need for good communications between the US command and the Japanese people led to the creation of the Civil Communications Section ('CCS').*

- *How the CCS recreated the Japanese communications equipment industry, teaching contemporary American managerial practices to its senior executives.*
- *How Japanese manufacturers came to place responsibility on the middle manager (the kacho) as the key to its operation. See research by Kenneth Hopper undertaken at the Harvard Business School into the use of graduate foremen. His findings would be later published by the University of Michigan (see <http://www.puritangift.com/pdf/scans/doku003.pdf>) in “The Growing Use of College Graduates as Foremen”. In this article, readers were introduced to Bunzaemon Inoue of the Sumitomo Group, one of the foremost creators of modern Japanese factory management.*
- *How the communications equipment industry evolved into the world-famous Japanese electronics industry.*
- *How other Japanese industries learned ‘how to manage’ from the evolving electronics industry, leading to the Japanese Economic Miracle.*
- *How the ‘Asian Tigers’ learned ‘how to manage’ from the Japanese.*
- *How the mainland Chinese learned ‘how to manage’ from Japan and the Tiger Economies, in particular the Taiwan. See also, Chapter 17 on the Sino-Japanese Industrial Revolution.*
- *How towards the end of the Occupation. The American organized a CCS Seminar and produced a CCS Manual to present the theory behind the practices which it was helping implement in Japanese industry [[link to CCS Manual](#)].*

Chapter 10 concludes as follows:

When the Cold War reached a peak of intensity in the late 1940s, Washington instructed the Allied command to do what it could to stimulate Japanese industry in general. According to Sarasohn, when the news of this change of policy arrived, it ‘rang down the corridors of MacArthur’s headquarters’. Sarasohn proposed that CCS should present a course of lectures on contemporary American management methods to the communications equipment manufacturers. There was opposition to this idea from elsewhere within the Allied Command, on the grounds that this would be a step too far; America, it was argued, should not give away *all* her industrial secrets to a former enemy which could, after all, become a future competitor.

Only the Supreme Commander could decide between these competing points of view on this new and important subject. It fell to Sarasohn with his long experience of Japanese industry to make the pitch on behalf of his section. It took place in the meeting room

outside the general's penthouse office on the sixth floor of the headquarters building. There was a formal presentation of opposing arguments, each side having twenty minutes to make its case. This procedure, known as a 'floor show', was standard practice when there was disagreement at a high level about an important matter. Sarasohn explained that CCS had done a great deal for the communications equipment manufacturers but not enough. This industry should be a model for the whole of manufacturing; if that did not begin to generate wealth on a large scale, society could revert to its former feudal structure. Many of the former senior executives in manufacturing industry had found the earlier close relationship with the military only too comfortable – profits had been guaranteed and labor unions suppressed. If the new generation of managers, whose aim was to produce goods that the mass of the population wanted and could afford, was to survive and prosper, they required guidance while settling in.

Behind Sarasohn's presentation lay a belief that leaving enemies in destitution had been tried after World War I and had led to totalitarianism, militarism and fascism. The Japanese people were still not far from destitution. The average annual income per head was still under \$132–\$2.50 a week – even in 1950 when the economy was already on the mend. There was no doubt that the ordinary people were delighted with the experience of living in a democracy where individual rights were respected and where the secret police were only a memory. Nevertheless, if there was not a return to at least the modest standard of living of pre-war years, there was a probability that that the old political and economic systems would be restored. Something had to be done to prevent a collapse of this emerging Asian democracy.

'No one ever accused MacArthur of being open-minded', Sarasohn would say jokingly to Kenneth and Claire Hopper, 'but you could reach him with reason'. The general sat at his desk listening intently, smoking his corncob pipe, uttering not a word and without changing his expression. When the presentations were over, he sat for a minute or so in further silence and then walked towards the door. Sarasohn thought to himself, 'I've blown it'. However, just as he reached the exit, the general turned round, glared at Sarasohn and said 'Go do it!' The two engineers retreated for two and a half months to a quiet and rundown hotel in Osaka that had been taken over by the US Army for officers' rest and recreation. No noisy parties were permitted and female guests were excluded – even wives. A period of intensive work followed while the men wrote the series of lectures they would present. The typed copies when assembled became the 'CCS Manual'. (The authors possess Protzman's personal copy of what can be called the 1950 first edition.) There was a rather grand title page. Like a normal book, the manual had a publisher: Civil Communications Section, General Headquarters, Supreme Commander for the Allied Powers and even a publication date and place: Tokyo, Japan, January, 1950. The text was preceded by Polkinghorn's crisp foreword, which argued that, in the long term, industry could be efficient only in a democratic environment.

The Civil Communications Section of the Allied Command was the principal gateway through which contemporary American ‘top management’ principles and practices entered Japan. Its pupils absorbed what they were taught into their own traditional ways of managing to create a new and distinctively Japanese-American way of doing business. Within fifteen years the communications equipment industry would evolve into the world-beating Japanese consumer electronics industry. After the Americans left, Inoue created and chaired the Top Management Study Group for the Kansai, a body set up under the auspices of Nikkeiren, the federation of Japanese employers’ associations; his object was to share the best management practices with the whole of Japanese industry. According to Protzman, ‘without him the seminars would not have been a success. He worked and he worked and he worked’.

The CCS Seminar was presented by the engineers only twice – in Tokyo in 1949 and in Osaka in 1950. However, after the Occupation it was taken over by the training arm of Nikkeiren, the employers’ association, which continued to present it regularly as a top management training course until 1974. Its contents never varied. By that time all the objectives of CCS engineers had been achieved. However, that was not quite the end of the matter: the course continued to feature in a place of honor in the training arm’s syllabus until 1982, thirty-three years after the first seminar, even though it was no longer being presented.²⁹ Since the late 1980s, Japan has suffered from deflation and rising unemployment. However, the best Japanese companies continue to be world-beaters; in spite of the decline in stock exchange prices, the market capitalization of Toyota Motor at the end of 2005 was many times that of General Motors and Ford together. Japan’s economy may have ceased to expand dramatically, but it is still the second largest in the world at current exchange rates. The average wage in Japan remains higher than in the United States. In spite of recent setbacks, most of the achievements of the Economic Miracle are still with us, and starting in 2005, Japanese manufacturing entered on a new period of economic expansion due to the impact of digitalization.

D. W. Brogan, a distinguished Scottish professor of American history, used to refer to the legends of the American West as the *matière d’Amérique*, an expression derived from the name given to the body of French medieval myth called the *matière de Bretagne*. One of the most persistent tells of strangers who arrive in a troubled town, set the place to rights and, having neither sought nor obtained a reward for themselves, ride off into the sunset. It reflects the quality of moral life on the frontier, the emphasis on service to one’s neighbor, the Puritan belief that wrong has to be countered. The CCS engineers were strangers not only to the Japanese but to each other. They arrived in a troubled town; if they did not sort it out, they at least showed others how to do so; there was even a shoot-out, albeit a verbal one, in the form of the ‘floor show’ described above; and they disappeared quite suddenly without reward to themselves other than the knowledge of a job well done. A re-enactment of a great American legend lay at the root of Japan’s Economic Miracle. Some years after he left Japan, Sarasohn would involve himself in another verbal shoot-out, also with dramatic consequences – in this

case, for the development of mainframe computers. It is told in an entertaining book called *Accidental Empires* by the columnist Robert X. Cringely:

Here's a scene that happened in the early 1960s at IBM headquarters in Armonk, New York. IBM chairman Tom Watson, Jr, and president Al Williams were being briefed on the concept of computing with video display terminals and time sharing, rather than with batches of punch cards. They didn't understand the idea. They were intelligent men, but they had a fairly fixed concept of what computing was supposed to be, and it didn't include video display terminals. They started over a second time, and finally a light bulb went off in Al William's head. 'So what you are talking about is data-processing but not in the same room!' he exclaimed.³⁰

The expression *data-processing but not in the same room* defined the modern computer in seven words; the company would later name this activity 'teleprocessing'. What Cringely did not tell his readers, and may not have known, was that the presentation in question was made by Sarasohn, who had joined IBM as director of engineering planning in 1957. Once again, the engineer would win his point. Cringely, however, made an error in his brief account. He says, 'they started over a second time'. In fact it was only at the third attempt that the metaphorical light bulb went off in the president's mind. Sarasohn's proposal had been turned down twice on the grounds that IBM would in no circumstances wish to compete with its biggest client, AT&T. On the second occasion Sarasohn had even been ordered out of the room. It required considerable courage for him to return yet again to make the same pitch. At that time IBM was already a manufacturer of mainframe computers using software called Fortran. However, pioneers sometimes abandon the field when the going gets difficult. Had Sarasohn not taken his determined stand, Big Blue might have gone down the plughole of history as a company that made punch cards in an electronic age.³¹

We have credited the CCS engineers with initiating the managerial revolution that led to the Economic Miracle. Success having many fathers, others have also laid claim to the title. In an atypical moment of immodesty, Drucker recorded that the Japanese attribute their achievement to reading *The Practice of Management*: '... the book was an immediate success, not only in the United States but worldwide, in Latin America and, especially, in Japan. Indeed, the Japanese consider it the foundation of their economic success and industrial performance.'³² Others have asserted that the Miracle all started with a series of lectures on Statistical Quality Control delivered in Japan in June, 1950 by the statistician, Dr. W. Edwards Deming, of whom much more in Chapter 16, which led to the establishment of the highly influential Deming Prize for Quality. Yet others attribute it to the work of a distinguished American consultant, Dr. J.J. Juran. Influential as Drucker's book undoubtedly was, it cannot be credited with a revolution that had been initiated before it was published. Regarding the contributions of Deming and Juran, Juran himself said the last word: 'Had Deming and I stayed at home, the Japanese would have achieved world quality leadership all the same'.

At 9.30 am on July 18, 1962 (his sixty-second birthday), Protzman and his wife, Aileen, were returning home along a highway in North Carolina in their 1961 Nash Rambler when a 1959 Ford driven in the opposite direction by two young men veered across the divide and collided with them. Protzman heard an ambulance man say: 'He's dead – let's take the woman'. Some minutes later, Protzman startled a policeman by sitting up in his body bag; it would be Mrs. Protzman who died. Her husband lay unconscious in hospital for several weeks until, one day, the surgeons called in his son to say the older man would not last until the morning. The son went to his motel room and prayed. On returning to the hospital in the morning, however, he was astonished to discover his father conscious and awake. Protzman described how he had traveled out of his body and watched surgeons extracting broken glass from his flesh. There had been the same, powerful white light that others have described in similar circumstances. He understood that he could follow the light or return to earth. He had decided to go back because he had a mission to perform. He recalled waking up briefly at that point, giving the hospital staff his name and address, and falling unconscious again.

Protzman revisited Japan in 1967, where he was honored at formal dinners in Tokyo and Osaka by top executives of the evolving electronics industry; it had not yet acquired its trendy new name. The English language *Mainichi Daily News* for May 13, carried the following report:

JAPANESE TELECOM INDUSTRY WELCOMES POST-WAR ADVISOR:

The man responsible for improving management and control in the Japanese telecommunications industry during the Occupation days is back in Japan – and being welcomed heartily by his former students. He is C. W. Protzman and both in Tokyo and Osaka, welcome receptions in his honor have been given by the men he helped train in 1948–50. Now they are company presidents and managing directors. Among them are Yoshikazu Inoue, Managing Director of the Osaka Management Association; President Hanzo Omi of Fujitsu; President Tsunatoshi Nabeshima of Sumitomo Electric Industries; Managing Director Kitae Ogawa of Matsushita Electric Industries Co., and a long and impressive list of company presidents, managing directors and other directors.

When Kenneth and Claire Hopper met Protzman for the first time in 1979, he was living with his son's family. A striking figure, slender and erect, who hobbled on one real and one artificial leg, he took his visitors to his study where he had filed the papers from his Tokyo years. When they asked why he had preserved them with such care, his answer was simple: 'What we did was very important. I hope that the spirit of CCS will never die.' He wondered if he had been spared to tell the story. Without him and his records, the CCS story would have vanished from human recollection.

In 1993, two events occurred which would further demonstrate how much the work of our Three Wise Men had meant to the Japanese. First, Masaharu Matsushita, adoptive son of the great Konosuke Matsushita – founder of the company which bears their name –

visited Sarasohn in Phoenix, Arizona, to thank him for what he and his colleagues had done for the company and for Japan. It was a touching moment. At the second CCS Seminar in Osaka in 1950, they had been pupil and teacher (see picture on page 92). And shortly after this visit, Matsushita Electric republished the original CCS Manual in an elegant Japanese-language version for distribution to all its senior executives. We were given a copy, which is before us as we write. At the front appears a photograph of Sarasohn and Masaharu Matsushita. There are prefaces in English by the former and in Japanese by the latter. Matsushita-san had kept a copy of the original version in his office since it was first issued and had frequently thumbed through it looking for inspiration. Although re-publication was a compliment to the work of the CCS engineers, that was not why it had been undertaken. The chairman's motive was that he wished to re-introduce his staff to the pure milk of the CCS gospel.