it is well written and can be understood without having special skills in the economic lingo. But the book transcends the issue of the Israeli economy; it is thought-provoking as to the way an economic system is formed and made to function. The book demonstrates the importance of social institutions and political theories in the forming of economic systems and highlights the continuous struggle between competing ideologies for the domination of the economic scene. In Eastern Europe, one ideology was in power while in the U.S. there was another. Israel provided a case where these two ideologies competed and where the economic system constituted a unique mix: in addition to large government enterprises, a government which dominates the allocation of resources and a large private sector, there is a uniquely large economic sector controlled and operated by the labor union. The economic difficulties created by this structure foretell the problems that arise in states younger than Israel that adopt economic systems that heavily rely on a large public sector, and the difficulties experienced by countries that revert to state-run companies, such as France. In that, Aharoni’s book provides universal lessons as well.

Japanese Banking and Investments in the United States
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There seems to be growing interest in Japan, its business methods, and in the global expansion of its finance and commerce. In recent years, Japan has grown to be one of the two largest economies of the world and Japanese finance, commerce, and government policies are being emulated in many Asian nations [Aggarwal and Agmon 1990]. Two of the more important factors contributing to the recent growth of the Japanese economy, have been the high Japanese savings rate and its deployment through the financial system in the form of high capital spending by Japanese companies. Japanese financial markets and institutions have played a critical role in the extraordinary growth of the Japanese economy in recent decades. In addition, Japanese finance has been increasingly influential in global markets while becoming more open to international influences at home. Japanese finance also seems very different from finance in the U.S. For example, Japanese companies generally seem to have much higher debt ratios and higher proportions of bank financing than do U.S. companies, stockholder wealth maximization is not as high on the list of corporate goals in Japan as it is in the U.S., Japanese companies do not seem to go bankrupt as easily or as frequently as U.S. companies do, and the decline in Japanese stock prices seemed much more controlled during the October 1987 crash
as compared to U.S. stock prices. The nature of Japanese finance reflects the structure of the Japanese economy and business and its unique historical evolution. For example, the post-World War II Japanese economy has been characterized by high savings, investment, and growth rates.

In addition, Japanese firms have long been part of close-knit business groups. In a Keiretsu, a group-owned city bank usually acts as the lead or 'Main Bank' for the industrial companies that belong to a Keiretsu, ensuring that funds continue to be available to group companies regardless of temporary, seasonal, or cyclical variations in funds flows. This stability in bank financing means that Japanese companies face lower costs of financial distress, and can safely manage much larger proportions of debt in their capital structure as compared to their western counterparts [Prowse 1990]. The 'Main Banks' in Japan also act as board representatives of the large proportion of ownership typically held by the members of the Keiretsu, and seem to provide economies in monitoring activities related to overcoming information, agency, and incentive problems typically associated with arm's-length market transactions [Hoshi et al. 1990].

One of the implications of this unusual nature of Japanese finance is that the long-term view taken by Japanese managers seems to be a rational response to the conditions facing them. Japanese companies take the long-term view since the Japanese cost of capital seems to be lower than in the U.S., resulting in higher present values for future cash inflows and other benefits. Given the learning curve and entry barrier-based strategic advantages of being an early mover in most industries, the lower cost of capital in Japan also seems to have provided Japanese firms critical strategic advantages in global markets. In addition, as compared to U.S. companies, many Japanese companies align the long-term interests of their employees with their own by the practice of life-time employment. Japanese managers also are not under pressure to produce short-term results for their stock holders, as controlling blocks of shares are held by customers, suppliers, and other businesses in interlocking webs of cross-holdings [Aggarwal 1992].

In the 1980s, Japanese financial institutions gambled that they could become major entities in U.S. and global finance. U.S. activities of Japanese financial institutions have a long history going back to the late 1800s, but their recent activities in the U.S. mirror their activities globally. Japanese financial institutions experienced a remarkable period of global expansion in the late 1980s. During this period, they came to dominate global finance as the largest and best financed institutions as U.S. financial institutions were rapidly replaced by Japanese financial institutions on most lists of the world's largest banks. In many cases, Japanese financial institutions came to dominate global finance [Burnstein 1990]. While their rate of growth has slowed down, Japanese financial institutions have significant and growing shares of the U.S. and California markets in commercial, industrial, and property loans.