

Organizing the Firm:
Corporate Governance in Germany and Japan, 1870-2000

Gregory Jackson

Submitted in partial fulfillment of the
Requirements for the degree
of Doctor of Philosophy (PhD)
in the Graduate School of Arts and Sciences

COLUMBIA UNIVERSITY

2002

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ABSTRACT

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This study offers a historical comparison of corporate governance in Germany and Japan. Both countries are regarded as having broadly similar nonliberal types of corporate governance. In contrast to the liberal shareholder-oriented model of the United States, their post-war models were characterized by the limited marketization and parallel integration of capital and labor within the corporation. Yet their historical origins and underlying institutional differences have remained neglected. A sociological framework is developed for comparing the national diversity of corporate governance in terms of organizational practices, their institutional settings and national politics. The study historically traces the institutional factors shaping the “de-marketization” of capital and labor, as well as the unintended fit resulting between them within the firm. In contrast to explanations rooted in economic efficiency or culture, Germany and Japan’s nonliberal trajectories are explained by similarities in the political dynamics of corporate governance. Their state-society relations underwent parallel sequence of development through 19th Century conservative social reform, its failure and post-war democracy. This sequence politically influenced two critical junctures for nonliberal corporate governance: the transition from family to intercorporate ownership and the democratization of paternalistic labor management that established industrial citizenship within the corporation. The study also examines the consequences of internationalization for national diversity during the 1990s.

While most observers see internationalization as leading to convergence on a liberal shareholder-oriented model, this study presents a more differentiated view of how Germany and Japan's national models adapt through a novel process of hybridization. The viability of the emerging hybrid depends on reconciling a greater market-orientation for capital and a modified version of industrial citizenship in a new model of enlightened shareholder value.

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Acknowledgements

This dissertation began in the context of a comparative project funded by the Tamaki Foundation on the future of German and Japanese capitalism. My deep thanks goes to the Tamaki Foundation, the project participants and the host institution, the Max-Planck-Institute for the Study of Societies in Cologne, Germany. Special thanks go to the following people: Wolfgang Streeck for his enduring support; Kozo Yamamura patiently commented on the Japanese material and was indispensable in helping me avoid numerous pitfalls along the way; Ron Dore provided many insights on Japan and corporate governance generally; and Martin Höpner engaged me in tireless brainstorming and debate that made this dissertation much better and more fun than it would have otherwise been. A long list of colleagues and friends have also been supportive in big and small ways at various stages, including: Baastian van Apeldoorn, Ruth Arguliera, Jürgen Beyer, Joseph Foudy, Andrew Gordon, Howard Gospel, Michel Goyer, Anke Hassel, Jo Kim, Antje Kurdelbusch, Karl Lauschke, Susanne Lütz, Britta Rehder, Sigurt Vitols, and Rainer Zugehör. Lothar Krempel provided valuable suggestions on constructing the diagrams. Numerous people and interview partners were generous in assisting my research in Japan, including: the staff of MITI Research Institute also provided generous practical assistance during two research visits in Tokyo; Fujikazu Suzuki was the source of generous practical help and insight; and Masahiko Aoki helped answer many mysteries about Japan. At Columbia University, I thank David Stark and Charles Tilly for patiently advising an absentee doctoral student and their focus on the big picture. I dedicate this dissertation to Nicola Ebert,

whose loving support made it all worthwhile. And with love to Henri, whose birth came just hours after submitting this dissertation and showed me the way forward.