

UNIVERSITY OF MIAMI

POLITICAL CORRUPTION IN JAPAN: A STUDY OF THE THEORY,
CAUSES AND EFFECTS WITH PARTICULAR REFERENCE TO THE YAKUZA
FACTOR IN BANKING SCANDALS AND PROLONGED RECESSION

By

Eric Thomas Messersmith

A DISSERTATION

Submitted to the Faculty
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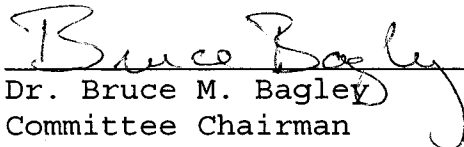
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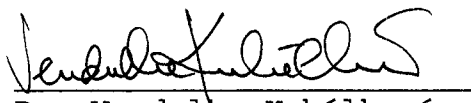
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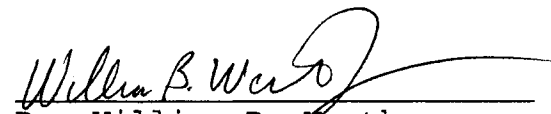
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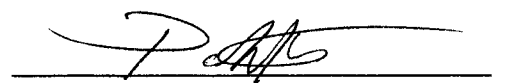
Approved:


Dr. Bruce M. Bagley
Committee Chairman
Dept. of Int'l Studies


Dr. Steven G. Ullmann
Dean of the Graduate School


Dr. Vendulka Kubálková
Dept. of Int'l Studies


Dr. William B. Werther
School of Business Admin.


Dr. Paul Kowert
Dept. of Int'l Relations
Florida International Univ.

MESSERSMITH, ERIC THOMAS

(Ph.D. Int'l Studies)

Political Corruption in Japan:

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A Study of the Theory, Causes and Effects
with Particular Reference to the Yakuza Factor
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Dissertation supervised by Professor Bruce M. Bagley

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The reasons behind a nation's economic slump are multifarious and complex and these slumps are often cyclical in nature-having to do with natural boom and bust periods, overproduction, shrinkage of export markets, loss of consumer confidence, etc. However, when a nation's economy does not recover on a cyclical up-curve, such as the one experienced in the mid- to late-nineties by most of the industrialized world, then one has to start to look for more specific and particular reasons- internal government policies, mismanagement of the economy, or errors in decision-making.

One of the most insidious and difficult to detect reasons for an economic slump is corruption. For corruption to affect an economy on a massive enough scale to cause recession that corruption has to be widespread and at very high levels of policy making, part of the very fabric of the governing process. Those factors make it much more difficult to identify and to root out for, in many cases, those actually doing the investigating may themselves be tainted with the same brush-or may be frightened into keeping everything under wraps, fearing for their own lives or those of their families.

The danger is even more keenly felt within an economy such as Japan's where the private and public sectors are so interwoven as to be practically indistinguishable or inseparable in some cases, and where the direction taken by the economy is very carefully planned (a result of the continuation of pre-Second

World War policies when the Japanese government saw the positive results of the Soviet experiments in planned economies). It is also an economy that still runs on family or group dynamics rather than the rule of law or free market forces and one in which most disputes are settled on a personal level because of the lack of trust in the judiciary. This makes it very difficult to set up regulatory institutions to monitor the affairs of the various sectors of the economy.

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Chapter I

1.1 Introduction: Corruption Theory

The study of political corruption can be broken down into numerous disciplines, depending on the approach taken. Economics, political science, public administration, sociology, philosophy—each of these approaches would present a different facet of corruption in general and political corruption in particular. Thus, one could theoretically come up with a different definition of corruption to fit each of these fields. One could also come up with different effects for corruption: economic effects, effects on the country's political system, its bureaucracy, its mores and attitudes as a society, and even the general view we have of human beings as creatures who make rational decisions and moral choices (or at least are capable of making such decisions).

Although those who have argued this line are definitely in the minority, there might even be an argument made to the effect that, under some circumstances, corruption is actually a necessary evil or even desirable, under an analysis which considers an action desirable if it produces consequences which are good. For example, if one wished to argue some form of consequentialism or utilitarianism, one could say that there might be positive consequences arising from a bribe payment:

Positive consequences accruing to the
bribe-payer ... may include increased
profits, increased employment, and greater
security for the bribe-payer's creditors.
The bribe-receiver gains the value of the
bribe payment itself. In a very corrupt

society, the bribe may even overcome inefficient government regulation and provide a more efficient allocation of resources (Hess & Dunfee, 2000, p605).

Several authors, including Leff (1964) and Huntington (1960), have extended this notion of personal gain to one which benefits the entire economy. They argue that, rather than lowering economic growth, it might actually raise it in two ways: by enabling individuals to avoid the unnecessary bureaucratic delay of going through normal channels; and by stimulating government employees to work harder in their desire to increase their take from bribes.

Holmstrom and Smith (2000) present another argument which is definitely in the minority: corruption is inevitable in a capitalist society. Using Marx's notion of "primitive accumulation," Holmstrom and Smith try to show that the "gangster capitalism and wholesale corruption in the former Soviet bloc and China should have been entirely predictable to anyone familiar with the historical origins of capitalism in Europe, the United States, and elsewhere" (p1).

For the purposes of this paper, however, the majority opinion is followed—and that is that the effects of corruption on any given society are not positive; and that corruption is not an inevitable consequence of a political system. What those effects are, how and why corruption comes about, and whether particular nations (areas) have particular types of corruption or share a

universal form of corruption (transcending national and cultural boundaries) are the focus of this paper.

As pointed out by LaPalombara (1994):

Corruption ... is not necessarily tied to a particular type of political regime. It may occur in repressive or democratic regimes, in political systems that are ruled by aristocratic elites or by representatives of mass publics, in polyarchies that are open to many organized interest groups, or in corporatist systems that provide access to policy-making or policy-implementation only to certain so-called functional groups (p327).

1.1.1 Definitions of Corruption

What then defines corruption? Does corruption exist in some absolute form or is it a construction of the society in which it is imbedded? Heindenheimer & Johnston (2002) place definitions of corruption in three categories: those having to do with public office, those in terms of market theory, and those centered around the public interest.

In terms of public office definitions, the classic one is by Nye. He defines corruption as:

[B]ehavior which deviates from the normal duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of reward to pervert the judgement of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses) (2002, p.284).

Market-driven definitions are exemplified by those offered by Van Klaveren (2002) and Leff (1964). Van Klaveren states that a "corrupt civil servant regards his public office as a business, the income of which he will ... seek to maximize. The office then becomes a 'maximizing unit.' The size of his income depends ... upon the market situation and his talents for finding the point of maximal gain on the public's demand curve" (p83). Leff says that "corruption is an extra-legal institution used by individuals or groups to gain influence over the actions of the bureaucracy. As such the existence of corruption *per se* indicates only that these groups participate in the decision-making process to a greater extent than would otherwise be the case" (p8).

The third set of definitions related to the public interest or public good is exemplified by authors such as Friedrich (1974) who argues that:

The pattern of corruption can be said to exist whenever a powerholder who is charged with doing certain things, i.e., who is a responsible functionary or office-holder, is by monetary or other rewards not legally provided for, induced to take actions which favor whoever provides the rewards and thereby does damage to the public and its interests (p127).

The detailed analysis of the strengths and weaknesses of each set of definitions is left to the literature review. In fact, many of the discussions on political corruption come to a halt due to the inability to come to some consensus on definition. However, it can be stated here that all three definitions encounter problems when it comes to determining who

will decide the norms to be used to distinguish between corrupt and non-corrupt behavior:

If the definitions are public-office-centered, then which statement of the rules and norms governing public officeholders is to be employed? If the definitions are public-interest-centered, then whose evaluation of the public's interest is to be operationalized? Definitions couched in terms of market theory appear to bypass this problem, but in fact they do not. They too imply that somewhere there is an authority that distinguishes between the rules applicable to public officials and those applicable to businessmen operating in the free market, or that there are certain characteristics that distinguish a "black market" from the free market (Heidenheimer and Johnston, 2002, p10).

1.1.2 Essentialism Versus Constructivism

Closely connected to the attempts at defining political corruption are the philosophical underpinnings in the debate between corruption as a universal, cross-national and cross-cultural phenomenon, and corruption as a culturally-bound occurrence. In other words, is corruption identifiable as such wherever it is found (the essentialist argument) or does such an identification have to rely on the particular circumstances within a particular culture (constructivist)? Or is it a combination of both with some essential features common to all corruption while other features are relative to the particular forms it takes in the particular country or region in which it is occurring?

For the purposes of this paper, we assume that some general elements of political corruption can be identified across national boundaries and cultures (i.e., universally) while the particular instances of these universal elements are open to interpretation. As an example, bribery is typically considered corrupt behavior. However, the construction of boundaries (gift-giving versus bribery, for example) is problematic in that what might constitute gift-giving in one society might be seen as bribery in another. Therefore, rather than begin with an essentialist definition of political corruption which will fit across all national and cultural boundaries, it seems more practical to approach the situation through corruption effects and results—on the political system, on the economy, on social conditions. Thus, it becomes important to establish linkages between these effects and the source(s) of these effects.

1.2 Japanese Corruption: A Brief Analysis

In his analysis of corruption in Japan and why the country was able to develop for so long despite pervasive bribery and other forms of government graft, Werlin (2000) uses his theory of “political elasticity” which he feels allows him to examine a situation through the lenses of both political science and public administration. According to Werlin, the theory consists of five propositions, including:

- Effective government entails integrating and alternating “soft” forms of power (incentives and persuasion) with “hard” (punishment and coercion).
- This integration and alternation produces an “elastic” form of government whereby it can delegate power when needed and at the same time draw in as many people as possible into its circle of influence.
- Political hardware (organizations, rules, technologies) and software (policies which create a bond between leaders and citizens) are both needed to make this elasticity work.
- Political software is effective proportionately to how well governance is achieved: goals acceptable to the majority, employing qualified people, delegation of responsibility and duties, two-way communication flow, established procedures to resolve conflicts, etc.
- The ability to balance the struggle between competitive advantage (primary politics) and consensus (secondary politics) improves political software.

Within this framework, Werlin identifies two types of corruption—primary (related to primary politics) and secondary (related to secondary politics). His basic argument is that primary corruption, which is subject to official punishment, does not necessarily prevent development, while secondary corruption, whose practitioners have little fear of punishment, hampers development. Thus, while it is generally acknowledged that

bribery was part and parcel of Japanese politics and there still remains an intricate system of political gift-giving (Iga & Auerbach, 1977; van Wolferen, 1989), the country was, until the recent recession, "one of the fastest growing industrial economies ever known" (Johnson, 1995, p202).

Does Werlin's theory explain the effects (or lack thereof until recently) of corruption within the Japanese political system and economy? Werlin argues that what Japan suffered from was a form of primary corruption and that, as long as it remained that way, the economy was able to survive. However, the danger occurs when the corruption penetrates into the secondary sphere. For example, MacDougall (1988) noted that, while the Japanese are exceptionally tolerant of some gray area political activity, something like the Lockheed scandal of the late 1970s showed that "clear violations of the law, personal enrichment through dishonest behavior, bureaucratic corruption, and unseemly behavior by national leaders ... are seen by the public as detrimental to legitimate government" (p227). If the effects of corruption are now being felt in Japan (through a prolonged recession, bank collapses and scandal involving politicians, bureaucrats and members of organized crime), then according to Werlin this corruption has moved into its more virulent and dangerous secondary stage.

1.3 Statement of the Problem

Japan's economy, a model for booming efficiency and progressive principles and the envy of the West throughout the 1970s and 1980s, has been in a deep slump for more than a decade. This is true even though other, considerably weaker and less broad-based Asian economies have managed to climb out of the downturn, including the effects of the "Asian Flu." During this time, and even amid the renewed boom years of the late-nineties for most of the world's economies, the Japanese economy has stubbornly remained stagnant, refusing to emerge from that decade-long slump. What had been double digit advances in the 1980s in the Gross National Product had become a minus 2.6 percent shrinkage by 1998. Presently, with the world economies slowing down once more, Japan faces even greater struggles to right itself.

Of course, the reasons behind a nation's economic slump are multifarious and complex, and these slumps are often cyclical in nature—having to do with natural boom and bust periods, overproduction, shrinkage of export markets, loss of consumer confidence, etc. However, when a nation's economy does not recover on the cyclical upcurve, such as the one experienced in the mid- to late-nineties by most of the industrialized world, then one has to start to look for more specific and particular reasons: internal government policies, mismanagement of the economy, errors in decision-making, and outright corruption.

The danger is even more keenly felt within an economy such as Japan's where the private and public sectors are so interwoven as to be practically indistinguishable or inseparable in some cases, and where the direction taken by the economy is very carefully planned (a result of the continuation of pre-Second World War policies when the Japanese government saw the positive results of the Soviet experiments in planned economies). It is also an economy that still runs on family or group dynamics rather than the rule of law and one in which most disputes are settled on a personal level because of the lack of trust in the judiciary. This makes the notion of "rooting out" corruption problematic and very much reliant on one's definition. For example, is political corruption in Japanese society a cancer to be cut out (with all the potential damage such an excision might cause) or is it a symbiotic relationship? This can be further connected to a similar question about corruption in political systems in general. At first glance, and using an essentialist definition, one would assume the former—that what we call corruption has to be expunged. However, it might be that what has been labeled corruption is simply one step along a spectrum of behaviors involving reciprocity in relationships. Or it might have different connotations for Japanese society than it does in North America, for example. If that is the case, then the situation becomes much more complex.

For example, seen in this way, Japan's organized criminal elements, the *yakuza*, become more than simply leeches and

extortionists: they become an integral part of the political and economic structure of the country and any attempts at eliminating them will alter the fabric of Japanese society in ways which are not entirely predictable. The *yakuza*—at one time content with confining their activities to gambling (from which the word originated—signifying 8-9-3 or ya-ku-sa in Japanese, the worst possible result in a medieval card game resembling blackjack), extortion, construction sites, etc.—expanded rapidly into real estate, the stock market, banking and even national politics during the boom economic days of the mid-1980s. The *yakuza* also do not perceive themselves as simply gangs but rather as business enterprises:

In terms of operating style, the *yakuza* are not back-alley outfits; they function like large corporations. Like any major business enterprise, the crime groups maintain offices that prominently display each group's logo. Members sport lapel pins and carry business cards identifying their positions in the syndicate ("More Eyes," 1992, p2).

In fact, the *yakuza* are proud of their role in Japanese society and trace their roots back to the middle to late 1700s. Originally known as the *machi-yakko*, townspeople who banded together to fight roving gangs of unemployed samurai (the *hatamoto-yakko*) who had turned into bandits, they developed a Robin-Hood-like quality about them and even had stories and legends written about them. But once the threat of the pillaging samurai ended, the proto-*yakuza* themselves turned into gangs of petty criminals, street peddlers and gamblers.

They remained this way until after the Second World War when a group known as the *gurentai* (hoodlums) entered the picture. This group got involved in extortion, protection rackets, prostitution and drugs. Then, when the Japanese economy started to boom, they found themselves in a perfect position to use their wealth to infiltrate so-called legitimate business and government affairs.

One of the major reasons for the success of the *yakuza* is the result of their "management" model. By creating family-like bonds among gang members (with *oyabun* as "fathers" and *kobun* as "children"), the organization developed unswerving loyalty and unquestioning following of orders. As well, any disobedience or betrayal called for swift retribution—from the severing of the top joint of the little finger (*yubitsume*) for minor offences to more pronounced maiming and even death for major crimes against the organization. This assured loyalty in one way or the other and made it very difficult for anyone to infiltrate the gangs or to get the gang members to talk against others.

The fact remains that, while few question the influence *yakuza* activities have had on Japan and its economy (especially following the Second World War), there is some argument as to the mechanisms which led to the current decade-long recession. After all, the *yakuza* gangs were there while the economy was booming.

1.4 Purpose of the Study

This study is designed on several levels to examine a group of questions surrounding the notions of political corruption and organized crime, and the effects these may have on a nation's political system, economy, and social structure. Underlying these questions is the idea of "definition" and how we come to have knowledge about a particular subject—in this case, that of corruption within a political system. Some of the background material includes:

- A brief look at the debate between essentialist and constructivist versions of notions of corruption (absolutist versus relativist; moral versus cultural);
- The results of studies on the effects of corruption on political systems in general and the applicability of such results to one particular system (or to any particular system);
- The transportability of notions of corruption between moral systems and cultures;
- The role of organized crime within societies (once more in general and within particular societies).
- The connections between organized crime, legitimate business, and government departments;
- The feasibility of severing corruption and organized crime elements from government operations and what the potential results of that might be on the economy.

Using some of this material as background, the study makes an effort to find the connection between Japan's *yakuza*, government corruption, banking scandals, and the prolonged recession.

1.5 Statement of Field of Study/Hypotheses

The field of study in this paper includes an examination of the role corruption and organized crime play in Japan's economy in general and in the recent recession in particular as seen through the prism of a comparative study of political corruption and organized crime around the world. This includes: an examination of whether corruption/organized crime pattern in the Japanese political system is part of a reasonably definable universal phenomenon or peculiar to Japanese government and economic styles; an examination of whether, in either case, something can be done to reverse, negate or at least mitigate the effects on the economy. The main questions the researcher attempts to answer in this study are:

- Does the situation in Japan call for a new paradigm which takes into account a government system where corruption/organized crime are essential characteristics and cannot be extricated or separated from "legitimate" patterns without destroying the entire fabric?
- Does this new paradigm involve a new set of rules—neither wholly essential nor wholly constructivist?

- Could the recent economic woes in Japan be the result of a shift from primary corruption to secondary (Werlin's Hypothesis) rather than simply the result of corruption per se? In other words, is there a point where the balance is tipped from an economy which is functioning despite (because of, in concert with) corruption/organized crime to one which is in danger of collapse within the same general framework?

This study proposes a series of hypotheses to be built up from these questions and this field of study, based on the following assumptions:

- Assumption One: Corruption and organized crime have been part of Japanese government and political life throughout its history and more specifically after the Second World War;
- Assumption Two: These forces—the acceptance of bribes, gifts, sinecures, and the influence of the *yakuza*—have been there even when the economy was at the height of its powers;
- Assumption Three: The nature of Japanese governance and its political party system has not changed significantly following the end of the American Occupation of the country
- Assumption Four: Corruption within Japan has not changed to a significant extent, judging from the reports of indictments and trials.

Ergo, if these assumptions are correct, we have the following hypotheses to be explored:

- Hypothesis 1: There must be other factors involved in what is occurring presently within the economy, factors which helped facilitate the initial conditions for the recession (even if they did not create them) and which are making it much more difficult for Japan to escape the recession than other parts of the world;
- Hypothesis 2: Among those factors was the movement and involvement of organized crime into the upper echelons of the banking system in Japan, leading to the ease with which *yakuza* and/or *yakuza*-fronted entities received billions in loans during the real estate boom;
- Hypothesis 3: Once the boom ended and the bubble collapsed, the banks were left holding billions in non-performing loans, the majority of which were due from companies with *yakuza* ties and connections;
- Hypothesis 4: Because of the nature of the Japanese banking system, the banks did not act quickly enough to (a) reveal the extent of the non-performing loans; and (b) take action in dealing with them until the situation had become untenable;
- Hypothesis 5: The situation in Japan and the reasons behind its prolonged recession are unique to that country, even given an essentialist reading of the definition of corruption.

1.6 Limitations/Delimitations of Study

While the literature pertaining to corruption and organized crime (both universally and in Japan) is fairly extensive and a strong, qualitative analysis of this literature can be achieved, there is one area where this project hits a natural limitation. That is in the capacity to gather direct information related to political corruption in Japan (for example, the difficulty of conducting surveys of and interviews with business people, political officials, bureaucrats, and bankers willing to speak out). As well, there is the same type of limitation when it comes to direct information from members of Japan's organized crime gangs. While some of the activities of these gangs have been well-documented (in fact, they allow many to be written about so as to spread greater awe among the general population—to the point where some of the gangs have their own newspapers and newsletters), when it comes to government and banking institution connections, the information is more tenuous and speculative.

Thus, while there is plenty of background historical material on the *yakuza* and predecessor gangs which lead to the modern version, direct and documented information on present-day activities is hard to come by. Several books have been written on the subject, including Kaplan and Dubro's *Yakuza: The Explosive Account of Japan's Criminal Underworld* (1986) and Christopher Seymour's *Yakuza Diary: Doing Time in the Japanese Underworld* (1996). These books speculate on the role played by the *yakuza* in Japan's post-War era but they do not offer any direct proof of

that involvement. That is only natural considering the secret nature of such societies and the dire consequences for anyone who reveals those secrets to outsiders.

Even more difficult to uncover for a fact is the spread of the *yakuza* into legitimate business (much like the American Mafia has tried to legitimize itself by fronting businesses which claim to be clean)—and its infiltration of government and banking spheres through bribery, blackmail, intimidation, or straightforward expenditure of large sums of money. The web of business and financial dealings is hard to trace back to the source, given disclosure and competition laws designed to protect private business—not to mention off-shore accounts and setting up of head offices in other jurisdictions. In Japan, this is combined with even further traditional secrecy on the operation of the government at high levels, and unwillingness of officials to admit their mistakes or involvement for fear of public embarrassment and dismissal—the Saving Face effect.

Thus, at this level, the paper relies on indirect sources. As well, a comparison can be made between the activities of the *yakuza* in this arena and those of other organized crime groups around the world in order to draw useful parallels on how organized crime operates to infiltrate both businesses and governments. Finally, an example of how difficult it is to extricate the group without causing even more severe damage to the economy comes from the years immediately following the Second World War. At the time, American occupying forces in Japan

immediately identified the *yakuza* as the major threat to their reconstruction efforts. They thought they had the threat under control—until they realized, in 1950, that several *oyabun* were being supported by high-level government officials, and that eradicating the *yakuza* might have meant plunging the country into economic chaos once more.

Nevertheless, efforts are made to carry out anonymous questionnaire surveys and interviews with a cross-section of Japanese society, including ordinary citizens. It is felt that the prospect of anonymity helps the response rate for those who might otherwise choose to remain silent.

1.7 Overview of Remaining Chapters

1.7.1 Review of Literature

The Chapter II review of literature consists of an historical examination and critical analysis of several groupings of materials pertaining to:

- Philosophical underpinnings: essentialism versus constructivism with special emphasis on political science theory;
- Comparative corruption theories, models and effects;
- Studies in the theoretical nature of organized crime;
- The *yakuza*: history, present-day activities, and involvement within the government and business enterprises;

- Japanese banks (losses, loans and scandals) and the Japanese economy.

The material has been obtained from several sources including the Info-Trac General and Expanded Academic Reference collections, the Internet, academic book, journal and magazine sources, and investigative journalism books written on the subject of the Japanese banking scandals and the *yakuza*.

The literature review consists of an analysis of the materials to help provide historical background information for the hypotheses stated above.

1.7.2 Likert Scale Questionnaire

Chapter III presents the first part of the paper's methodology—the Likert Scale questionnaire survey—and a breakdown of the results of that survey administered to 100 citizens of the city of Tokyo (with 73 clean responses that were usable). While there is the potential to create a quantifiable set of statistical results from such a survey, the emphasis for this paper is on the qualitative aspects of the responses along a five-point Likert Scale. The idea is to elicit information pertaining to the *yakuza*, the Japanese banking system, and its economy as well as corruption and organized crime in general.

As part of Chapter III findings, the survey results are briefly compared to the literature review results—with a full comparison in Chapter V.

1.7.3 The Interview Methods and Results

The Chapter IV interview section of the methodology is conducted with a group of anonymous Japanese government and bureaucratic officials and others who are willing to speak out on the nature of corruption in Japan, the involvement of the *yakuza* and the role corruption/organized crime may have played in creating or prolonging the current recession. The focus is on a more in-depth examination of thoughts, opinions and feelings, as well as an attempt to underscore predominant or prevailing themes.

As well, the results of the interviews are presented and examined. The examination is two-tiered: results of the interviews result in specific themes; these themes are then compared to the results of the survey.

As mentioned above, there is little question as to the presence of corruption and organized crime within the Japanese political system. The findings here relate to the effects they have had, are having, and will continue to have in the future.

1.7.4 Summary and Comparison of Results

Chapter V includes a summary of the results as well as a comparison between the results in the Likert Scale Questionnaire and the personal interviews. As well, a discussion of the limitations of the methodology is included.

1.7.5 Summary, Conclusions and Recommendations

Chapter VI provides a discussion of the research into political corruption and organized crime within the Japanese political system and the effects they have had on the Japanese economy—with special emphasis on the banking scandal, non-performing loans, and the current recession. It also provides conclusions based on a review of the literature as well as the survey instrument and interviews. Finally, the chapter provides some recommendations as to how to approach the idea of corruption/organized crime in Japan, how these may differ from similar concepts in other parts of the world, and how future studies may be oriented.

It is the belief of the researcher that the combination of an examination of secondary literature related to this subject and the two-tiered methodology offers a new way of looking at the political, social and personal implications with respect to governance and organized crime in general and Japanese banking and the *yakuza* in particular. It is hoped that the research conducted in the field will be of help in the areas of political science (in terms of understanding the government-corruption axis), sociology (the determination of a potential moral-cultural divide in studies of corruption), and economics (the linkage between banks, non-performing loans, *yakuza*, and recession).

Chapter II: Review of Literature

2.1 Introduction

As indicated in the Chapter I overview, the review of literature for this paper consists of more than 200 research papers, scholarly studies, articles and commentaries garnered from books on theory, investigative journalism books, journal articles, Internet Web sites, and academic databases (*InfoTrac SearchBank General Reference Gold* and *Expanded Academic ASAP*). The review, consisting of an historical examination and critical analysis, is grouped under four separate headings: **Philosophical and Sociological Underpinnings; Corruption Theories, Models and Effects; Corruption and Organized Crime; and The Japanese Economy and Banks.**

The first heading deals with the two competing philosophical paradigms presently known as essentialism and constructivism but with a long history dating back to Platonic and Aristotelian views of knowledge and the world. The emphasis here is on the sociological and political science aspects of the respective theories. The second heading consists of examinations of research done on corruption theories, models and perceived effects. The third section deals more specifically with studies on corruption and organized crime, while the fourth focuses on the particulars of Japan's banks and economy. The second, third and fourth groupings are further broken down into subsections:

- **Corruption Theories, Models and Effects:** This section is further broken down into (1) **Definitions** of political corruption; (2) **Corruption Effects** in terms of political systems, cultures, social mores and individual morality; (3) **Models and Theories of Corruption**; and (4) **Corruption in Asia**.
- **Corruption and Organized Crime:** This section is further broken down into (1) **Scholarly Studies** of the connection between corruption and organized crime; and (2) **Yakuza: History, Reports and Statistics**, definitions of the *yakuza*, its history, myths and folklore, traditions and structure; its connection to Japanese society; the present day state of the criminal gangs; the relationship between the gangs and the banks; and the *yakuza*'s effect on present economic conditions in that country.
- **The Japanese Economy:** This section is further broken down into (1) **Economic Woes and Their Causes**, both current and past during the long recession; (2) **Government Scandal** and institutional corruption within the Liberal Democrats, in power for 35 years; (3) **Banks: Bad Debt and Financial Sector Woes**, outlining how the banks ended up in the unenviable position in which they find themselves today.

2.2 Philosophical and Sociological Underpinnings

The essentialists and the constructionists represent the latest incarnation in a long philosophical battle between those who believe that knowledge is vested in objects (innate) and those who argue that knowledge is "constructed" by humans through the particular circumstances in which they find themselves and the social framework under which they labor. One particular type of constructionism is "social constructionism," a concept first put forward by Thomas Kuhn (1962) in his seminal *The Structure of Scientific Revolutions*, and Berger & Luckmann's *The Social Construction of Reality* (1966). Kuhn's well-known thesis was that the notion of scientific fact as a collection of newer and better discoveries and facts was not the way scientific theories were constructed. Scientific research was conducted within what he called a paradigm and a paradigm shift could make previous research useless and the facts no longer valid. As well, he argued that much scientific discovery was actually a result of agreement within the scientific community.

Berger & Luckmann (1966) took this a step further in their argument that this sociology of knowledge could not work within epistemology:

To include epistemological questions concerning the validity of sociological knowledge in the sociology of knowledge is somewhat like trying to push a bus in which one is riding ... these questions are not themselves part of the empirical discipline of sociology (p13).

Essentially, they were saying that one cannot attempt to find absolute answers within the sociology of knowledge as this is a self-defeating exercise and serves only to re-introduce essentialist elements into the picture. However, they did have to find a way around the criticism that this sociology of knowledge seemed simply a relativistic, anything goes, no-holds-barred type of knowledge that would quickly lead to either anarchy or total skepticism. Thus they came up with common sense knowledge as understood by the general public:

Society does indeed possess objective facticity. And society is indeed built up by activity that expresses subjective meaning ... The central question for sociological theory can then be put as follows: How is it possible that subjective meanings become objective facticities? ... An adequate understanding of the "reality sui generis" of society requires an inquiry into the manner in which this reality is constructed. This inquiry, we maintain, is the task of the sociology of knowledge (p18).

According to Berger & Luckmann (1966), the key to this inquiry is the use of language which allows humans to free themselves from the purely subjective and to evolve more abstract meanings. Thus you have two sets of realities—the subjective (socialization and identity) and the objective (institutions and legitimacy)—constantly in a dialogue and actually making up the fabric of social meanings¹.

In terms of understanding what has been happening in Japan with respect to government and corruption, the argument could be

set thusly: (a) a strictly essentialist interpretation argues that there are absolute terms by which corruption can be measured; (b) a constructivist approach works more closely with people's perceptions of what is taking place.

The implications of this are quite obvious: if one accepts the constructionist view of knowledge, then one has to drop any idea that knowledge could have absolutist or essentialist qualities—or that there is some truth out there just waiting for us to pluck. Any views we "discover" are actually our own views which we project upon the world. According to Putnam, "The world is not going to impose" any particular view upon us (1993, p150).

However, Schmidt (2001) points out that philosophy and sociology do not pursue the same goals when it comes to the study of knowledge—and therefore the two should not make overly-ambitious claims in the other's domain. One cannot use philosophy to refute the claims made by sociology and vice versa.

Risse (2000) distinguishes between social constructivist and rational choice theories in the fields of international relations and comparative politics. The first uses a "logic of appropriateness" in decision-making while the latter emphasizes a "logic of consequentialism." In keeping with constructivism, the logic of appropriateness stresses a rule-guided behavior where "human actors are imagined to follow rules that associate particular identities to particular situations, approaching individual opportunities for action by assessing similarities

¹ For a more detailed discussion on the themes running through constructivist thought, see Gergen (1985);

between current identities and choice dilemmas and more general concepts of self and situations" (March and Olsen, 1998, p951). On the other hand, the logic of consequentialism assumes that the interests and preferences of actors in an interaction are fixed for the most part and that the goal is to maximize those interests and preferences: "Rational choice is instrumental: it is guided by the outcome of action. Actions are valued and chosen not for themselves, but as more or less efficient means to a further end" (Elster, 1989, p22)².

Hopf (1998) provides a list of what he feels constructivism is better able to do in international relations when compared to neo-realist approaches. This includes:

- The ability to better understand the involvement of nationalism, ethnicity, race, gender, religion, sexuality in world politics;
- The ability to make sense of the tendency of states to assume different identities depending on the situation and conditions;
- The ability to uncover features related to culture and domestic politics;
- The ability to collaborate with other approaches to get a fuller account of international relations.

In a famous televised discussion, which took place in the Netherlands in 1971, Noam Chomsky and Michel Foucault outlined

for the consequences to knowledge, see Schmidt (2001)

² See Hopf (1998) for the use of social constructivist principles in practical politics.

the fundamental differences that separated Chomsky's essentialist view of human nature and, by extension, politics, and Foucault's constructivist vision of what it is like to be a human being³.

For the purposes of this study, the researcher wishes to employ elements of the constructivist viewpoint in a sociological but not an epistemological sense: that is, while notions of corruption may be socially constructed, that does not preclude a universal continuum along which what is and what is not corruption is ultimately judged. In other words, while the particulars of any individual act might be considered either corrupt or not within a certain society, the general parameters of what constitutes corruption are known across cultures.

2.3 Corruption Theories, Models and Effects

2.3.1 Definitions

As indicated briefly in Chapter One, there are numerous definitions of corruption (Nye, 1967, 2002; Van Klaveren, 2002; Leff, 1964; Friedrich, 1972). That by no means exhausts the set of definitions. Hess & Dunfee (2000) set limits on corruption by defining it as "coarse bribery" which is "the promise or payment of a benefit that induces a public official to breach a duty pertaining to a significant community interest" (p593).

LaPalombara (1994) defines it as

[B]ehavior by a public servant, whether elected or appointed, which involves a deviation from his or her formal duties

³ For a detailed discussion of the Chomsky-Foucault argument, see Wilkin (1999), and Donaldson (1997).

because of reasons of personal gain to himself or herself or to other private persons with whom the public servant is associated. Corruption, however, requires two or more parties to a transaction, at least one of whom holds a position of public trust and/or exercises a public role, and another (or others) of whom acts in a private capacity. The latter may be, of course, individual persons, legal persons in the private sector (such as banks, corporations, trade unions, or formal associations), or collectivities, such as a tribe, ethnic group, extended family, political party or club, and so on (p327).

Tanzi (1998) breaks acts of corruption down into various categories, including:

- Bureaucratic (petty) or political (grand);
- Cost-reducing (for the briber) or benefit enhancing;
- Initiated by the briber or the person being bribed;
- Coercive or collusive;
- Centralized or decentralized;
- Predictable or arbitrary;
- Involving money or not.

Macrae (1982) defines corruption as "an arrangement involving an exchange between two parties (the 'demander' and the 'supplier') which (i) has an influence on the allocation of resources either immediately or in the future; and (ii) involves the use or abuse of public or collective responsibility for private ends" (p678).

Other definitions include:

Huntington (1968): "Behavior of public officials which deviates from accepted norms in order to serve private ends" (p59).

Senturia (1931): "The misuse of public power for private profit" (vol iv).

Andreski (1968): "The practice of using the power of office for making private gain in breach of laws and regulations nominally in force" (p92).

The common factor in all these definitions seems to be the reliance on the existence of a public domain which is separate from the private one, as well as the existence of the kind of bureaucracy which is run on fixed principles of an objective nature: a Weberian legal-rational bureaucracy, in other words. There have been several objections raised to these kinds of definitions, including:

- The notion that this idea of public office is a Western concept and that, in many countries, what the West would consider corruption—nepotism, patronage, bribery in the form of gift-giving—are actually socially approved in certain cultures.
- The notion that a government itself sets the norms and standards for those in public office, leading to situations where the definition might actually condone oppressive regimes. For example, there is the famous example given by Rose-Ackerman (1978) in which she asks: Does a policeman in a regime where torture is part of the

criminal law act corruptly if he accepts a bribe from a suspect so as to torture him/her less severely?

- The notion that bureaucratic rules and regulations are so clear-cut as to be completely transparent when, in fact, there is much ambiguity even in the most well-ordered bureaucracies.
- The problem with elected officials who have no formal rules, procedures, qualifications: "Whereas the behaviour of civil servants, particularly in relation to outside interests and the acceptance of gifts, is usually quite circumscribed, politicians need to endure few restraints. In Britain a member of parliament may accept regular retainers or lavish hospitality from commercial interests, foreign governments or trade unions" (Theobald, 1990, p4).
- The problem of the very recent appearance, historically speaking, of the difference between public and private sphere, while corruption existed even during those periods when it was simply the monarch and his favorites, for example: "Two thousand years ago, Kautilya, the prime minister of an Indian kingdom, had already written a book, *Arthashastra*, discussing corruption" (Tanzi, 1998, p559). And Davis (1910) noted: "In the last days of the [Roman] Republic, the trading in votes rose to such a height that ... in 55 BC a new law struck at what was probably the most flagrant form of corruption, namely,

payments made to *interpretes* on the basis of how many votes they were able to deliver to the interested candidates" (p13).

In the light of these objections to the public office concept of political corruption, some writers have opted for a less essentialist definition, one more closely connected to public interest (Friedrich, 1966, p74; Hurstfield, 1967, p19). Rogow and Lasswell (1963), for example, rely on "responsibility" and "common interest" to define corruption:

A corrupt act violates responsibility toward at least one system of public or civil order and is in fact incompatible with (destructive of) any such system. A system of public or civic order exalts common interest over special interest; violations of the common interest for special advantage are corrupt (p132).

Tarkowski (1989), writing at the time when Poland and the USSR were about to undergo extreme political transitions, tried to reconcile the re-emerging interplay between societal interests and official institutions in his definition:

Corruption ... is any activity motivated by interest, violating the binding rules of distribution, the application of which is within one's responsibility. Rules of distribution ... refer not only to the letter of the law, but also to norms recognized as binding by society and/or to the system's "official" norms and operational codes. Also "corrupt" are those activities regarded by society as illegitimate or seen by the power elite as contradictory to the logic of the system (p53-54).

The question quickly arises, however: What exactly is this "common" or "public" interest? Where do we find it in a modern,

complex society with a variety of special interest groups or blocs? And what about "national interest"? Is that the same as public interest? A second problem with these types of definitions is that some authors (including Friedrich, 1966, 1972; Leff, 1964; Huntington, 1968; Lui, 1985; Graziano, 1980; Tullock, 1996; and Becker and Stigler, 1974) have argued that corruption itself can be in the best public interest under some conditions. Among the arguments for the positive benefits of corruption:

- Institutionalized corruption is better than random corruption in that a person knows exactly where to go to pay for services;
- Corruption improves efficiency by helping to remove government-imposed regulations which might interfere with investment and growth;
- The promotion of efficiency in bidding competitions where those who can afford the highest bribes are by definition the most efficient;
- The economizing of time and effort by allowing those whose time is valuable to jump the queue;
- Allows politicians to gather funds to help keep a country together and promote growth;
- The use of bribes to supplement low wages and thus allow the government to maintain lower tax levels which, in turn, is supposed to promote growth.

While all these arguments can be countered, it does throw a wrench into any clear-cut definition of corruption which relies on public or common interest.

The last type of definition is perhaps the most anti-essentialist, if not quite constructivist: that of relying on "public opinion." In this definition, "corruption then is simply what public opinion in a given society deems to be corrupt" (Theobald, 1990, p7). When it comes to public opinion and what that might mean under these circumstances, Heidenheimer (1978, 2002) proposes three types of corruption: white, gray, and black. Black corruption is the type which both elite opinion and mass public opinion would condemn; gray is where some (usually elite) want to see punished but mass opinion is ambiguous; white is where neither the majority of mass nor elite opinion would see need for condemnation or punishment. Alongside these, Heidenheimer postulates 10 types of behavior within four types of political or cultural systems, examining everything from minor forms of nepotism to criminal extortion. The four types of political obligation systems are (See Table 2.1 below):

- Traditional Familist (Kinship) Based System: loyalty to the nuclear family is all that counts;
- Traditional Patron-Client-Based Systems: ties to strong protectors, weak ties to the rest of the community;
- Modern Boss-Follower-Based System: control is through machine politics with a more flexible economic model than traditional patron-client;

- Civic-Culture-Based System: ideally with highly-developed community norms with political exchange relations being diversified and indirect.

Characteristic	TRADITIONAL			MODERN	
	Familist-Based: Within	Between	Patron-Client	Boss-Follower	Civic-Culture
Archetypal protector	Family head		Patron saint	Political boss	State
Prototype for political exchange relations	Family obligation	Economic exchange	Social and economic exchange	Economic and social exchange	Social (indirect) exchange
Strength of community-regarding norms		Nil	Weak	Weak	Strong
Denotation of "patron"			Moral ideal, protector, intermediary	Protector, intermediary	Benefactor of community
Strong reciprocal basis of obligations between patron and client	No		Yes	Yes	
Kinship-friendship network open enough to permit independent "contacts" by clients	No	Yes	No (depends)	Yes (depends)	Yes
Collective obligation for favors to its members		Yes	Yes	Yes (depends)	No
Clients directly follow patron-chief in political behavior	Yes		Yes	Yes	
Family obligations perceived as having primary claim on officeholder	Yes		Yes	No	No

Table 2.1: Types of Community and Political Exchange (Heidenheimer, 2002, p144-145)

Table 2.2 below lists the 10 types of behavior which someone in the modern Western tradition would consider as corrupt according to present-day administrative norms and rules. Heidenheimer provides a code to classify the frequency of the behaviors within each of the four political exchange systems, as well as how these behaviors are perceived within the particular system. These codes are:

- **SOP: Standard Operating Procedure**
- **FI: Frequent Incidence**
- **OI: Occasional Incidence**
- **OO: Rare Incidence, Without any regular pattern of incidence**
- **B: Black Corruption**
- **G: Gray Corruption**
- **W: White Corruption**

As well, the types of corruption are divided into three categories: petty, routine, and aggravated.

	Familist System		Patron-Client		Boss-Follower		Civic-Culture	
Type of Behavior	Incidence	Evaluation	Inc	Eva	Inc	Eva	Inc	Eva
Petty Corruption								
Officials deviate from rules in minor ways for benefit of friends	SOP	W	SOP	W	SOP	W	FI	G
Routine Corruption								
Gifts accepted by public officials (or parties) for generalized good will	SOP	W	SOP	W	SOP	W	OI	B
Nepotism practices in official appointments and contract awarding	SOP	W	SOP	W	SOP	G	OI	B
Officials profit from public decisions through sideline occupations (clean graft)	SOP	W	SOP	W	FI	G	OI	B
Clients pledge votes according to patron's direction	SOP	W	SOP	W	FI	G	OO	B
Aggravated Corruption								
Clients need patron intervention to get administrative "due process"	SOP	W	FI	G	OI	B	OO	B
Gifts (kickbacks) expected by officials as prerequisite for extending "due process"	SOP	W	FI	G	OI	B	OO	B
Officials tolerate organized crime in return for payoffs	FI	W	FI	G	OI	B	OO	B
Activists suddenly change party allegiance for pecuniary reasons	FI	W	OI	B	OI	B	OO	B
Officials and citizens ignore clear proof of corruption	FI	W	OI	B	OI	B	OO	B

Table 2.2: Incidence and Evaluation of Corrupt Practices (Heidenheimer, 2002, p148-149)

A series of surveys (Gardiner, 1970; Peters & Welch, 1978; Atkinson & Mancuso, 1985; and Johnston, 1986) seem to indicate that Heidenheimer's categories and criteria generally correlate to public opinion in a broad sense. Respondents were more likely to label something as corrupt if it involved larger amounts of money; if those involved were public officials rather than private citizens; if it involved the direct taking of a bribe rather than something indirect; if it involved keeping the money rather than passing it on; and if it involved a prominent person as opposed to an average citizen.

Philp (2002) lays out what most people would consider a clear case of political corruption where:

- "1. A public official (A),
- "2. in violation of the trust placed in him by the public (B),
- "3. and in a manner which harms the public interest,
- "4. knowingly engages in conduct which exploits the office for clear personal and private gain in a way which runs contrary to the accepted rules and standards for the conduct of public office within the political culture,
- "5. so as to benefit a third party (C) by providing C with access to a good or service C would not otherwise obtain" (p42).

Of course, the problem rests with the fact that very few cases are this clear-cut. As well, even in cases where all five criteria are fulfilled, the notion "is intelligible only against the background of a political culture in which there are clear,

shared norms and rules governing the conduct both of public officials and of members of the public in their dealings with these officials" (p42). The same problem arises with Alatas (1990) and his nine-fold breakdown of the characteristics of corruption. Alatas also covers one area that others do not—and that's the notion of "autocorruption" where only one person is involved. For example, the legislator who has advance knowledge of a zoning change and who supports the Bill so that he can then profit from it because of his foreknowledge (p2).

For the purposes of this paper, the definition supplied by Philp (2002) seems to best cover both the general notion of corruption and the detailing of instances of corrupt acts. Because it speaks of "the accepted rules and standards for the conduct of public office within the political culture," it escapes some of the arguments against universal morality-based definitions or the tendency to "translate" one country's or region's notions to another's.

2.3.2 Corruption Effects

With all the difficulty in coming to a consensus definition of corruption, it comes as a bit of a surprise that the vast majority of researchers and authors seem to agree on the deleterious effects of political corruption (with the exception of those mentioned above who made an argument that on occasion corruption could actually help an economy—even if only in the short term). Hess & Dunfee (2000); Mauro (1995, 1997); Shleifer &

Vishny (1993); Tanzi (1998); Tanzi & Davoodi (2001); Theobald (1990); Rose-Ackerman (1997, 2002); Johnston (1997); Elliott (1997); Nichols (1997); Hillstrom (1996); and Alatas (1990) all present arguments outlining the damage corruption can cause to: an economy, political system, and a people's moral compass.

Tanzi (1998) breaks down the effects of corruption on an economy into two: qualitative and econometric. Under the qualitative list he includes: reduced public revenue and increased public spending; increased income gaps; market distortion; reduction of economic efficiency and growth. According to Mauro (1995, 1997), the econometric results of corruption include reduced investment; and reduced spending on education and health. For Tanzi & Davoodi (2001), corruption spurs public investment because these types of projects are most easily manipulated by high-level officials to get bribes, while at the same time it reduces the productivity of any public investment.

According to Hess & Dunfee (2000), any positive effects from corruption under certain conditions are more than balanced by the negatives, including "an overall inefficient allocation of resources where decisions are based on personal benefit to the bribe-receiver, not political rules or markets. Further, the secrecy of bribery may reduce the value of price information" (p605). Shleifer & Vishny (1993) also stress the necessarily secret nature of corruption, causing a shift in investments from key sectors such as health and education and into those areas

where there are better opportunities for corruption—such as defense and infrastructure. Theobald (1990) adds the dissipation of capital, squandering of natural resources, weakening of administrative capacity, and undermining of democracy. Aside from inefficiency and unfairness, Rose-Ackerman (1997) points to the danger that corruption can undermine the political legitimacy of the state: "Corruption is also evidence that deeper problems exist in the state's dealings with the private sector. The most severe costs are not the bribes themselves but the underlying distortions they reveal—distortions that may have been created by officials to generate payoffs" (p42).

Elliott (1997) focuses on the political consequences of corruption and indicates that, in developed nations, "the primary cost of influence-peddling 'corruption' is increased cynicism among voters and the alienation of citizens from their government" (p197). In developing countries, while some have argued that corruption may be beneficial, "its undemocratic and detrimental nature causes moral decay, social discontent and political alienation" (Hillstrom, 1996, p4). Nichols (1997) finds similar results and concludes that corruption is not simply a matter of economics but one of public ethics and morality, arguing that bribery takes away from the people's happiness, reduces their confidence in the government, and stimulates lawlessness.

Have the negative effects of corruption been proved without a doubt? According to Theobald (1990), there are linkages, but no smoking gun:

Having outlined the main costs and benefits of corruption it has to be admitted that it is extraordinarily difficult to balance one against the other in any concrete situation. This is primarily because corruption is frequently claimed to bring about diametrically opposed effects ... Whilst it is certainly conceivable that corruption may do all of these things, unless we can specify the point which benefits become costs such claims are relatively meaningless. To date no writer has been able to do this mainly because there are so many unknown and unquantifiable elements which interrelate in a variety of highly complex ways with basic variables such as economic growth and political development (p131).

2.3.3 Models and Theories of Corruption

In an effort to put current anti-corruption campaigns into some sort of historical perspective, Ala'i (2000) cites two main approaches or models that have dominated studies of corruption—the pre-1960s moralist and the post-1960s revisionist. According to the moralist perspective, corruption is the result of moral failings within either individual human beings or particular societies. A corollary of the moralist approach was that Western Christian societies were morally superior to the rest of the world. The rejection of this approach by social scientists coincided with the loss of essentialist and absolutist theories in sociology and anthropology:

The most striking feature of the revisionist definition is that it is

intended to be amoral. The revisionists used concepts from economics, sociology, anthropology, and other social sciences to make two arguments: (1) the definitions of corruption and bribery varied with societal values and inherited cultural and religious traditions, and (2) an increase in the incidence of corruption and bribery was a necessary and inevitable part of the modernization process (Ala'i, 2000, p887).

It is the second revisionist argument that has caused the most problems and, according to some scholars, has actually brought back a version of the moralist thesis in the form of so-called "geographical morality." This is where the so-called inevitableness of a corrupt stage for developing countries leads to a double standard. As put by Caiden & Caiden (1977), the revisionist thesis amounted basically to this attitude:

[P]oor countries for cultural and historical reasons have a propensity toward corruption, seen as a violation of Western norms. To this propensity may be added a breakdown in the allocative mechanisms of society, or economic, political, and administrative reasons, so that corruption steps in to fulfill the missing functions. Corruption is thus legitimized in terms of its prevalence, and of its functionality: indeed, given the inappropriateness of Western norms and inadequacy of Western institutions, corruption does not really exist at all—it is simply a different way of doing business (p304).

The analysis of the causes of corruption is also an area that has led to divergent and sometimes contradictory conclusions, depending on the approach taken: be it the examination of economic, political, cultural, or psychological factors. The majority of the studies have focused on economic theory and how it is that rational, self-interest-seeking

individuals decide to become involved in corruption. Among these theories can be included public choice (Rose-Ackerman, 1978), game theory (Macrae, 1982), psychological profiling (Rogow & Lasswell, 1963), and transaction-cost economics (Husted, 1994). However, as Husted (1999) points out: "The usefulness of these studies is limited to the countries in which they originated because the recommendations fail to take into account the variety of cultural contexts in which corrupt activities occur" (p339). Husted uses the four of the five work-related cultural values originally set up by Hofstede (1997)—power distance, individualism, masculinity, and uncertainty avoidance—in combination with the level of economic development to come up with a comparative model of corruption. These values are defined as:

- **Power Distance:** The extent to which the less powerful expect and accept the unequal distribution of power;
- **Individualism:** The extent to which decisions in a person's life are determined by the individual or by an ingroup of family, friends, peers;
- **Masculinity:** The extent to which the focus is on material success instead of quality of life concerns;
- **Uncertainty Avoidance:** The extent to which members of a culture feel threatened by uncertainty or unknown situations.

Husted (1999) found that, while "the most significant correlate of corruption is the level of economic development as

measured by the purchasing power parity estimate of GNP per capita ... three of the four cultural variables are positively correlated with corruption at a significant level. On the basis of these results, we can tentatively describe a cultural profile of a corrupt country as one in which there is high uncertainty avoidance, high masculinity, and high power distance" (p351).

2.3.4 Corruption in Asia

In the specific context of corruption within one country or area, several authors (Alatas, 1990; Vittal, 2001; Quah, 1999; Chan, 2000, 2001; Pharr, 2002; and Mitchell, 1996) have made contributions to the literature of corruption in Asia in general and Japan in particular.

Alatas points out that some of the Western theories on the causes of corruption in developing societies—such as kinship solidarity and gift-giving—do not hold water under proper analysis: "Appointing relatives to public office against the rules of appointment, ignoring merit and qualification, is rejected by traditional society. Throughout history, the traditional societies in Asia have always made the distinction between the public and the private, between corruption and non-corruption ... A phenomenological analysis of corruption will reveal that the constituent elements of corruption are cheating and stealing ... Traditional societies do not condone stealing and cheating" (1990, p95). Alatas concludes that the rise of corruption in these societies can be explained better through

historical conditions and special circumstances than by any cultural traits which might be unique in the area.

Chan (2001, 2000) develops a macro-micro model of corruption and applies it to post-Mao China and Hong Kong. Integrating macro theories (functional, political-institutional, revised modernization, and cultural approaches) with micro models (frequency of corrupt opportunities, stakes involved, external control such as legal penalties, internal control or moral restraints), Chan determines that, given the macro conditions, the increase in corruption occurred because there were more opportunities for corruption and because both internal and external controls failed. Chan's model is based on the "principal-agent" analysis and the thick rational-choice framework which Klitgaard (1988) uses in describing a potentially corrupt agent: "This decision model considers the probability of being caught and punished, the size of the penalty, the utility of corruption and the moral cost of taking a bribe" (Chan, 2000, p509). Therefore, if the agent decides against the corrupt act, he or she gets the reward of a regular pay plus moral satisfaction; if the agent decides to act corruptly, he or she gets the extra money involved in the bribe but at the expense of moral satisfaction and, of course, the danger of being caught. According to Klitgaard (1988), the decision depends on a whole series of factors including "her own ethical, cultural, and religious standards ... on what her peers and colleagues are doing ... on how big a bribe she gets for how large a deviation from her

responsibilities to the principal. For an unscrupulous person in a corrupt subculture, the moral cost of being corrupt may approach zero" (p71). Chan (2001) also discusses the "social learning" aspect of corruption. In effect, if someone observes behavior around him or her which is identifiably corrupt but which goes unpunished or which is accepted as normal practice, that person is likely to accept those favorable ideas of corruption as well. In these cases, "corruption is a result of a social exchange in which the words, responses, presence, and behavior of other persons directly reinforce corrupt behavior, providing line setting for reinforcement, or serving as the conduit through which other social rewards and punishers are delivered or made available" (p911).

Both Mitchell (1996) and Pharr (2002) deal with corruption with direct reference to Japan. In his book, Mitchell speaks of "structural corruption" and the entrenchment of money politics into the Japanese political system from the very beginning of representational government in that country, which extends back to the middle of the 19th century. He says:

Scholars writing about Japan use the term 'structural corruption,' meaning that the structural nature of corruption is built into the political system to the point that to survive, politicians are forced to exchange favors with businessmen in return for funds to pay members of their faction and to use for elections. Furthermore, because structural corruption is so deeply embedded in the political system, reform programs are doomed to failure unless the entire system is destroyed (p xv-xvi).

How does this structural or institutional corruption work? Ironically, Mitchell argues that, despite dominating the elections for almost four decades, Japan's Liberal Democratic Party did not exert as much power as it theoretically could—and the titular head of the party (the prime minister) was even more powerless. As described by Van Wolferen (1989):

There is, to be sure, a hierarchy, or, rather, a complex of overlapping hierarchies. But it has no peak; it is a truncated pyramid. There is no supreme institution with ultimate policy-making jurisdiction ... The bureaucrats tinker with the economy ... The politicians and almost everyone else keep out of their way. Parliamentary representatives ... attend mainly to the business of getting re-elected ... The industrialists continue to expand their foreign market shares ... They are kept in line by their peers; and they pay the politicians. Nobody is boss, but everybody, in some way or other, has leverage over somebody else, which helps ensure an orderly state of affairs (p41).

Having examined the role that the policy performance of leaders (economic conditions) and/or the store of social capital (vibrant versus low civic society) play on the level of trust citizens have in their government, Pharr (2002) concludes that the key indicator for this trust is neither of these factors. Rather, it is the perceived level of corruption the population sees in its governing bodies, a dimension associated strongly with "character" or how leaders carry out their duties on behalf of the citizens: "[R]eported corruption is a far more important cause of citizen distrust in leaders and political institutions than either economic or social capital deficits ... [A]t least for

Japan, leaders' reported corruption was by far the single best predictor at any given point in time of confidence in government over two decades" (p852).

Despite these studies on so-called institutional corruption within the Japanese government, none have come up with explanations as to why: (a) the Japanese political system was able to resist for such a long time; (b) the Japanese economy was able to function at such a high level for so long; and (c) what occurred in the late 1980s and early 1990s to start the country down the road to recession.

2.4 Corruption and Organized Crime

2.4.1 General Studies

Like corruption, attempting to come up with a universal definition of organized crime has proved to be a very difficult task. For example, some have defined it as a set of relations among illegal organizations while others put the emphasis on the illegal activities performed by a given group of people. The first might be labelled the governance theory of organized crime (or organized crime syndicates as quasi-government institutions which often run parallel to legitimate governments); the second describes these syndicates as quasi-firms which produce illegal goods and services for a populace which wants them. Fiorentini & Peltzman (1995) see these two definitions as two sides of the same analytic coin—and the choice depends on the underlying reason for the analysis:

For instance, if one is interested in the internal structure of a criminal organisation, it is perhaps more appropriate to investigate it as a firm where agents at different levels maximise their objective functions. The analogy ... holds even more tightly if one is interested in the analysis of the investment decisions of the criminal organisations or their competitive behaviour with respect to rivals in the output market. On the other hand, the analogy with a governmental structure is much more useful when the analysis focuses on racketeering activities or the management of military conflicts against other organisations (p6-7).

Fiorentini & Pletzman further offer a set of characteristics by which organized crime can be recognized. These include:

- Economies of scale and exploitation of monopolistic prices on the supply of illegal goods and services;
- Practice of violence against other legal and illegal business;
- Criminal hierarchy with internalization of negative externalities and management of portfolio of risky activities;
- Avoidance of resource dissipation through competitive lobbying and corruption;
- Easier access to markets.

Godson & Olson (1995) cobble together a definition of organized crime as:

[A] more or less formal structure that endures over time, is directed toward a

common purpose by a recognizable leadership operating outside the law, is quite often based on family or ethnic identity, and is prepared to use violence or other means to promote and protect common interests and objectives (p22).

How gangs originate is another question that is open to a multitude of answers. Godson & Olson (1995) note that a large number of what are now considered organized crime groups may have started as societies which actually helped disenfranchised members of ethnic or political groups. However, they also indicate that other gangs may have started from gangs of thieves or others operating outside the law. Interestingly enough, as indicated in the section on the history of the *yakuza*, both these elements are present in discussions as to the origins of this group in Japan: the Robin Hood/oppressor syndrome. Volkov (2000), in analyzing the rise of violent criminal gangs in Russia following the collapse of communism, gives an example of the typical evolution of one of these gangs. At the same time, he argues that this has been the favored evolution of most states:

Specialists in violence—former sportsmen—create an organization, a violence-managing agency that allows them to extract tribute from the local business by offering protection. Having established a kind of territorial control, the agency wages a war with competing violence-managing agencies ... Having attained the monopoly position ... [the gang] makes a conscious choice of economic policy of reasonable taxation and reliable protection of property ... In the longer run, protection rents and reputation result in the growing capital accumulation and further economic expansion. [The gang] turns into a "financial-industrial group." Parallel to that, it concludes an informal

pact and then establishes institutionalized relations with the legitimate regional government. Finally, it makes an effort to legalize its political and economic power by registering as Social-Political Union (OPS) ... and seeks to achieve legitimacy with and support from the local population (p728).

Milhaupt & West (2000) link the emergence of organized crime groups with the "mismatch between property rights and enforcement mechanisms" (p50) following eras of great social upheaval—post-feudal Japan or Italy, for example, or post-communist Russia. They explain the apparent success of the Japanese economy (at least until the early 1990s) thanks to the development of a "highly workable set of rules to govern economic exchange that held up without heavy reliance on formal enforcement mechanisms" (p53).

The link between organized crime and corruption has always been assumed and made explicit by a number of authors, among them Gardiner (1970); Tanzi (1995); and Grossman (1995). Of course, there can be corruption without organized crime and, theoretically, organized crime without corruption, but the odds are fairly high that the two sets will intersect at some point.

Gardiner's famous study of the American town of Wincanton, home to a crime syndicate for more than four decades and a place where most of the city officials were hand-picked by crime syndicate bosses, revealed some interesting facts about how the citizens felt about corruption:

A survey of city residents did not show that they wanted corruption per se, or that

they opposed law enforcement efforts, but the survey clearly showed ... that substantial numbers of respondents were tolerant of minor forms of corruption such as conflicts of interest and accepting gifts from companies doing business with the city (1970, p55-56).

Tanzi (1995) emphasizes the close relationship organized crime has with the community in which it exists and interacts. His analysis of Sicilian gangs could very well be used to describe their Japanese equivalents: (a) come from the same region; (b) speak the same dialect; (c) often intermarry; (d) direct a portion of their criminal activities outside the area where they live; and (e) are often an integral part of the society in which they operate. It is under these conditions that corruption can flourish. Speaking of Sicilian crime syndicates but once again transferable, he says:

The corruption of bureaucrats who hold power in local decisions allows the mafia to operate with relative impunity and to expand its power, especially if that power brings a lot of money with which to compensate the bureaucrats (and sometimes the local politicians) for their assistance (p176).

Grossman (1995) discusses the idea of organized crime and governments (the *kleptocratic* state) competing for the "total rent" to be extracted from taxpayers. In his analysis, given that neither organized crime nor governments can be completely eliminated, this sort of competition is good for the taxpayers because they then have alternative means of getting their goods and services. The worst scenario, according to this analysis, is

the possibility of collusion between crime syndicates and governments whereby they share these "rents" and are thus able to fix the prices through a joint monopoly situation. This is effectively the same as saying that the worst possible result of an organized crime/government axis is the corruption of government officials by the syndicate so that they both hold the general public hostage.

2.4.2 The Yakuza

As indicated in Chapter One, the *yakuza* claim a long and colorful history in Japan and it is often difficult to distinguish between mythology and reality. One of the most persistent is that of the romantic outlaw, the Robin Hood type who, for some reason or other, found himself outside society's pale. Modern *yakuza* like to see themselves as a combination of the *hatamoto-yakko*, samurai warriors who found themselves unemployed when Japan was united under the first shogunate, and the *machi-yakko*, townspeople who came together to resist the incursions of the *hatamoto-yakko*. These romantic outlaws became the favorite heroes of 18th century popular Japanese novels and plays, as well as folk tales and songs (Kaplan & Dubro, 1986).

2.4.2.1 Yakuza Background

No matter from where they trace their ancestry, one thing stands out for the modern-day *yakuza*: they have set up one of the most effective organized crime operations in the world. In the late

1980s, it was estimated that more than 86,000 gangsters belonging to 3,200 gangs roamed Japan (Chua-Eoan, 1988; "In The Land of The Rising Gun," 1989), with annual revenues in the \$50-billion range (Ormonde, 1992). But this was nothing compared to the early 1960s when police estimated 184,000 in 5200 groups (Kaplan & Dubro, 1986). Table 2.3 below lists the major syndicates between 1981-1984.

Syndicate	Sphere of Influence (pref.)	Affiliated Groups	Membership	Head-quarters	Year Formed	Syndicate Boss
Yamaguchi-gumi	29	400	10,400	Kobe/Osaka	1915	Kazuo Nakanishi
Sumiyoshi-rengo	20	113	6,723	Tokyo	1958	Masao Hori
Motokyokuto Aioh Rengo-kai*	22	105	4,416	Tokyo	1930	Haruo Tanaka
Inagawa-kai	12	119	4,347	Yokohama	1945	Kakuji Inagawa
Ichiwa-kai	30	140	2,800	Kobe/Osaka	1984	Hiroshi Yamamoto
Matsuba-kai	12	41	2,147	Tokyo	1953	Eisuke Sato
Nippon Kokusui-kai	10	22	943	Tokyo	1958	Kyo Koo-soo
Dai Nippon Heiwa-kai	13	51	914	Kobe/Osaka	1965	Katsuyoshi Hirata
Toa Yuai Jigyo Kumiai	NA**	none	796	Tokyo	1966	Chong Gwon Yong

*Officially Disbanded

**Not Available

Table 2.3: Major Yakuza Syndicates (1981-84) (Kaplan & Dubro, 1986, p139)

The police divide the *yakuza* into three types, according to criminal occupation: the *bakuto* (traditional gamblers); *tekiya* (street peddlers); and *gurentai* (hoodlums). Table 2.4 lists the occupational backgrounds of *yakuza* and their numbers as of 1980. It should be noted that the totals are greater than the number of estimated *yakuza* because of the intermingling of the various

gangster elements. For example, many listed as *bakuto* also act as *sokaiya*.

Occupation	Full-status Members	Marginal-status Members	Total
Bakuto (gamblers)	26,960	5,148	32,108 (31%)
Tekiya (peddlers)	21,438	2,570	24,008 (23%)
Gurentai (hoodlums)	9,861	1,639	11,500 (11%)
Seaport racketeers	3,221	0	3,221 (3%)
Sokaiya (corporate racketeers)	47	2,417	2,464 (2%)
Scandal sheet extortionists	41	803	844 (1%)
Prostitution gangsters	495	74	569 (1%)
Others	39	29,202	29,241 (28%)
Totals	62,102	41,853	103,955 (100%)

Table 2.4: Occupational Background of Yakuza (Kaplan & Dubro, 1986, p171)

Although aligned along family lines in much the same way as the American mafia and with similar oaths binding the members, the *yakuza* show one important difference: they conduct their business in very visible offices with logos, business cards, and brass plates on their doors and the largest of them, the Yamaguchi-gumi, even prints its own telephone directory ("Honourable Mob," 1990; "Tycoons of Crime," 1992). Members carry pin identifying their gang affiliation and they still maintain a code of conduct which in its ideal state is closer to the days of the samurai than modern Japan. The closest bond is between the

boss, the oyabun (literally father), and his sidekick, the kobun (literally child). This is an interesting psychological relationship for, as Seymour (1996) points out:

Blue-collar fathers ... were obliged to work long days that made them non-factors in the raising of their children. The lack of a controlling influence and the discipline of a strong father figure often led to wild uncontrolled boys. Most yakuza have nothing good to say about their fathers. A disproportionately large percentage of yakuza are the products of divorced or separated parents (p17).

It seems, however, that some of the romance is starting to wear off as the economy continues to slide. In 2000, police in Osaka issued more than 500 "cease extortion" directives under the 1992 Anti-Organized Crime Law. As well, many major corporations are starting to say "no" when gangsters come calling for "political donations" ("Cops Rap Yakuza," 2000). Perhaps, most importantly, the National Police Agency has reversed a long-standing policy of not releasing information on those associated with organized crime. Now, townspeople who are trying to drive gangsters from their local neighborhoods will be provided information by the police to help them ("Cops to Reveal Data," 2000). Whether this will spur the police force to take more action against the gangsters has yet to be seen but, for the moment, the police seem content with simply keeping an eye on the gangsters.

2.4.2.2 Yakuza Scams

The yakuza are an exceptional organized crime group. In the twentieth century, they have often been a major

key to political power in Japan ... Organized crime ... has grown remarkably powerful since World War II ... over the past 300 years, the yakuza have become one of the world's most successful criminal organizations, and that whatever the public does, these once honorable outlaws of Japan are apt to be around another 300 years (Kaplan & Dubro, 1986, p282).

The Japanese yakuza constitute a parallel universe running beneath virtually every institution and industry in the nation. It's a mind-numbing thought, considering the already Byzantine nature of Japan's "legitimate" corporate and "democratic" political institutions (Seymour, 1996, p19).

The yakuza in Japan have come a long way from the days when they were controlling portable booths and stalls at fairs or taking money from those unfortunate enough to become involved in gambling. In fact, they have come a long way from the turn of the 20th century when they organized day labor for construction and stevedores for docks. By the 1970s, the yakuza were also:

- Running protection rackets and forcing local bars and restaurants to pay.
- Organizing political parties and influence-peddling.
- Running nightclubs, massage parlors. Geisha inns, and other entertainment centers where prostitutes were provided.
- Involved in boxing, sumo and other types of wrestling. In 1996, a former wrestler-trainer by the name of Onaruto claimed that 29 of the top 40 wrestlers fixed their matches. Onaruto died under mysterious circumstances shortly before he was to conduct a press conference on corruption in the sumo world. That did not silence him,

however, as he had already written a book on the subject which went on to become a bestseller in Japan. In it, he claimed that "the yakuza are the sport's leading sponsor ... that sumo stars sup with crime bosses, use them to procure discreet hookers and ask their help in laundering cash earnings ... Onaruto states baldly that it is routine for wrestlers to sell matches for between \$5,000 and \$10,000" ("Sumo Wrestling," 1996, p84).

- In control of hundreds of theater and movie production firms.
- In control of booking and talent agencies.
- Dealing drugs—especially amphetamines.
- Involved in loan sharking, smuggling, and pornography.
- Bidding on huge public works projects through dummy companies. According to a gang expert in the Japan Bar Association, it is estimated that 30-50 percent of public work projects require payoffs to mobsters at a cost of 2-5 percent of construction (Fulford, 1999).
- Rigging sports events and even auctions on foreclosed property.
- Taking control of hospitals, English-language schools, amusement centers, and fortune-telling parlors.
- Managed real estate, video games and parlors, the trucking business, waste disposal, and even security services.

- Making fake stamps and money, including American dollars, and objects such as watches and foods;
- Running one of the world's largest sex slave trades involving some 150,000 women working illegally in Japan (many of them as prostitutes). According to Jesse Gimenez, information attache at the Philippines embassy: "They are forced into it. After they arrive their passports are taken from them, they're given no money, they're locked up and closely guarded and told that if they don't work as prostitutes they'll be hit, be killed, or their families will be attacked back home" (Quoted in "Sex Trade Flourishing in Japan," 1995, p42).

The *yakuza* have also managed to turn blackmail and extortion into an art form. In a country where "saving face" is sometimes more important than life itself, the *sokaiya* have extorted millions from companies simply by promising to stay away from stockholder meetings and not asking embarrassing questions. In one case, the head of Ito-Yokada, the corporation which owns 7-Eleven, admitted to having paid more than \$1 million to *sokaiya* (Seymour, 1996). In 1996, three executives from Takashimaya, one of Japan's oldest department-store chains, were arrested for paying \$740,000 in *sokaiya* money ("Spare Your Blushes, Sir," 1996). What makes this kind of activity much easier is that a lot of daily bribery and greasing of wheels is considered just part of doing business in Japan:

There is institutionalized payola that flows from parent to teacher, patient to doctor, contractors to officials, distributors to suppliers, and within just about any important relationship imaginable. All these cash "gifts"—sliding under, over, and around the proverbial table—softens up the populace for real yakuza exploitation and corruption (p25)

The *yakuza* are also involved in the activities of extreme right-wing groups, the same groups who were responsible for the rise of ultra-nationalism in Japan prior to World War II. These groups have been implicated in political kidnappings and assassinations as well as the Sarin gas attack in the Tokyo subway system. In North American terms, Kaplan & Dubro (1986) describe this partnership would be like the Ku Klu Klan and the Mafia forming a long-lasting association. The *yakuza* take no sides, however. When a right-wing group was using loudspeaker vans to harass Noboru Takeshita in his 1987 bid to become prime minister, the Inagawa-kai syndicate was paid to silence the loudspeakers (with the implication they would then have something to hold over Takeshita's head once he was in power) ("A Gangster Story," 1992).

Fulford (2000c) argues that the *yakuza* have infiltrated all the way up the political ladder. He cites the \$14-billion Kansai airport project as an example of the "I-scratch-your-back-you-scratch-mine" world. According to an unnamed gang source, bureaucrats informed the *yakuza* where the access roads would go. The mobsters then went about intimidating residents along the route to sell. The properties were then sold back to the government at premium prices with portions ending up in the

pockets of politicians. As well, the same gangster says that politicians use mobsters to either bribe or intimidate newspapers and other media into suppressing stories which might harm them: "Or, the intimidation can be more direct. The editor and deputy editor of *Uwasa no Shinso* ... were stabbed by gangsters after publishing allegations that Prime Minister Yoshiro Mori was arrested at a house of ill-repute as a youth ... Reporters for the *Asahi Shimbun* ... have been receiving death threats ... and many are living apart from their families for security reasons" (p66).

2.4.2.3 Yakuza and The Banks

The story is told of a small credit association called *Gifu Shogin* that had gone belly-up in the wake of the four-year collapse of real estate prices. Government officials moved in to force a lifesaving merger of *Gifu Shogin* with another financial institution. Then there was a fantastic revelation: Of *Gifu Shogin's* \$110 million in bad loans, about \$70 million were to organized crime gangs or their front companies ... The well-documented connections between yakuza and politicians all pale beside the yakuza's hand in the inflation and crash of the most awesome economy in the world (Seymour, 1996, p22).

Aside from straightforward business errors, lax regulations and oversight, and scandals involving bureaucrats and financial officials, perhaps the most astounding revelation has been the deep-rooted involvement of the yakuza in Japan's banking and monetary system. Even before the bubble economy burst, some banks in the 1980s packaged bad debts to the yakuza along with substantial new loans (Delfs, 1991b). As well, as land prices soared, banks got into the act and started lending money out

without proper credit checks: "Once the connections were built with financial institutions, the yakuza ... started to run real estate businesses, develop buildings and golf courses on their own. And financial institutions just kept lending them money" ("Who Got Yakuza into Our Banking System," 1996, p2).

In 1991, Fuji Bank, then the country's 4th largest, admitted to being involved in a scam in which \$2 billion worth of forged deposit certificates were issued as collateral for real estate loans—some to clients with mob connections ("Japan's Financial Scandals," 1991). It was also revealed that Nomura Securities and Nikko Securities had loaned Susumu Ishii, then boss of the Inagawa-kai, the 4th largest organized crime family in Japan, \$268.1 million to be used for stock marketing trading ("More Eyes on Yakuza's Role," 1992). By 1992, it was estimated by some that more than \$3.6 billion in yakuza money was invested in the stock market—and the number could go higher if dummy companies were included. Nomura was once again involved in a scandal when, in 1997, it was revealed that Japan's biggest securities firm had paid \$340,000 to Ryuichi Koike, a *sokaiya* or corporate extortionist. At the same time, the Dai-Ichi Kangyo Bank, Japan's second largest, lent Koike millions with little collateral ("Clean-Up Time," 1997). Later that year, officers of Daiwa Securities, Nikko Securities and Yamaichi Securities were also arrested ("Once There Were Four," 1997). In all, Koike's work as a *sokaiya* led to some 60 resignations and 20 arrests. It also led

to the suicide by hanging of Kunji Miyazaki, ex-chairman of Dai-Ichi Kangyo Bank (Hirsh & Takayama, 1997):

For years, foreign financial advisers have been counseling the Japanese to securitize the non-performing loans—repackage them into bonds to be sold to investors ... But Japan's banks have an even tougher problem: they loaned billions to yakuza-affiliated real-estate speculators. As a result, they're literally terrified to collect on much of the billions in bad debt ... or to foreclose on the collateral. Why? ... When Sumitomo Bank got a little aggressive in collecting loans in Nagoya, its branch manager was killed. More than half of Japan's bad real-estate debt is somehow gang-linked, estimates Teikoku Batabank, a leading compiler of financial stats (p44).

If the *yakuza* cannot get into the financial system through bribes and intimidation, they have another weapon, a very potent one in Japan's "save face" moral world. They will set up a high-ranking bank official with a woman and, when the two go to a motel for some indiscretion, they are videotaped and photographed. These are then used to blackmail the official into doing what the *yakuza* want (Fulford, 2000a).

In 1998, as a result of the opening up of the Japanese financial markets (caused in part by the bad debts and scandals), American investors started to snap up bad-loan portfolios in the hope of acquiring real estate very cheaply. However, what these investors were not told at the time was that a large part of those bad loans—some estimate up to 40 percent and to the tune of \$235 billion—were in the hands of organized crime (Kaplan, 1998). These gangsters were not happy about what was taking place. Two private investigators checking on a property were beaten up by

thugs; a top executive at Cargill, one of the first foreign businesses to buy bad loan portfolios, had his house set on fire:

One portfolio of 49 loans ... found that 40 percent of the borrowers had ties to organized crime. Fully 25 percent ... had criminal records ... *U.S. News* obtained a similar portfolio of 108 properties ... Thirteen ... are held by Azabu Building ... In early March [1998], Azabu's president ... received two years in prison for hiding some \$18 million in assets from creditors. Azabu properties ... are protected by groups tied to Tokyo's largest crime syndicate (Kaplan, 1998, p41).

Local bank officials have not been so fortunate. Among the crimes committed against them are:

- The 1993 shooting and killing outside his home of Tomosaburo Koyama, vice-president in charge of problem debts at the now-bankrupt Hanwa Bank;
- The execution a year later of the manager of the Sumitomo Bank;
- The so-called 1998 "suicide" of Tadayo Honma, ex-director of the Bank of Japan called in to clean up the bankruptcy mess left by the collapse of the Nippon Credit Bank;
- A total of 21 shooting attacks as well as assaults and arson on corporate executives in the banking industry.

Unlike the S&L scandal in the U.S. which was perpetrated mostly by white-collar thieves, the looting of Japan's banks was done mostly by violent organized gangs—and they are not about to return money from loans on real estate which is now worth less than half its original price.

As pressure mounts to foreclose and sell off the properties, the gangs are employing a black bag of enterprising tricks to profit from the cleanup. Their

people are known ...as *songiri-ya*, or "loss-cutting specialists"—a shadowy industry of yakuza squatters, extortionists, and investors. In one favorite loss-cutting technique, an indebted owner leases or sells the building to a gang, which then fills the property with mobsters. These underworld squatters use threats and violence to avoid foreclosure, gain a better settlement, or extract huge payoffs to move ... Another favorite mob tactic is to file false liens against the property and then demand payoffs to relinquish their claims. Still another technique is to scare off potential buyers, then come in at the last minute and buy the property at a rock-bottom price (Kaplan, 1998, p43).

It may be that American investors will have no choice but to deal with elements of the *yakuza* if they wish to become involved in the collection of problem loans and bad debt property portfolios. This may include payoffs to the mob—or what Ryuma Suzuki, head of the Sumiyoshi-kai, Tokyo's largest crime syndicate, calls a "commission," which may run to 40 percent. According to Suzuki: "On the big discounted properties, you may have to cooperate with organizations like mine. Things can get a little rough out there" (Quoted in Kaplan, 1998, p44). In fact, bankers have admitted in private that such tactics might have to be employed—and the profit margins are high enough so that there is money to be made even with 40 percent "commissions."

Is this a wise thing to do? The Japanese banks, which in the past have used one set of gangsters to rid themselves of another, have discovered it definitely is not. For one thing, this means that the *yakuza* will be flush with even more money—this time from American investors. And that money could very easily be plowed back into their drug smuggling, extortion and money laundering businesses in the United States. As well, as

many businesses have found, much to their regret, once you form a partnership with a gangster, it is usually for life. According to Harry Godfrey, who ran the U.S. embassy's FBI office in Tokyo for four years: "In the short term, you're getting an opportunity to make a profit. But you're exposing yourself to paying off organized crime, and that could spill over into the rest of your business" (p45).

And, according to Fulford (2001), these are definitely not the kind of people you want to get on the wrong side of: "Theirs is a world in which victims are visited at night in hotel rooms, forced to write wills at gunpoint, injected with sedatives, and then strangled in a way that makes it appear that they have committed suicide by hanging" (p81). It is also a world that is a long way from the glamor of the romantic outlaw who helps right injustice and fights for the poor and the unlucky.

It seems the evidence is fairly overwhelming when it comes to whether the *yakuza* are intimately involved with the Japanese banking system and the non-performing loan scandal. While no one makes the direct linkage between the *yakuza* loans and the slide into recession, the implications are fairly clear. The non-performing loans given to *yakuza* may only be one of the reasons for the recessionary pressure but there is little doubt that they have helped contribute to the prolonging of the recession (along with the very nature of governance and banking in Japan and the almost incestuous relationship between the banks and the institutions which are supposed to regulate them).

2.5 The Japanese Economy

It has been briefly noted in Chapter One that the Japanese economy has never recovered fully from the time the real estate and stock market bubble burst in the early 1990s—even though the rest of the world underwent a tremendous surge during this time period. This portion of the literature review attempts to explain in more detail why this happened and what the economy can expect in the future now that the rest of the industrialized world is itself in danger of recession.

2.5.1 Economic Woes and Their Causes

As early as 1991, when it was first admitted that the Japanese economy was in recession, some commentators were predicting that this recession would be a particularly nasty one (Hillenbrand, 1992; "From Miracle to Mid-Life Crisis," 1993). While government officials and some economists said the recession would be short-lived, just like the others previously experienced in Japan, other experts were saying that it marked the start of a fundamental shift within the country's economy. According to Hillenbrand (1992), some of the causes of the downturn were:

- The hugely inflated values of the Tokyo Stock Exchange and real estate values between 1985-1989, with the Nikkei stock jumping from 13,136 to 38,915, and land values so high they were routinely more valuable than the buildings on them.

- Vast expenditures for plants and equipment (\$3 trillion between 1986-1991), research and development (\$600 billion), and overseas purchases (\$167 billion) which represented capital outlays without immediate returns.

The result of the deflation of the real estate bubble was felt throughout the economy—from banks with \$454 billion in outstanding real estate loans to drops in domestic car sales and the electronics industry, from the layoffs of part-time employees to a rise in bankruptcies.

Historically, Japan has shown a knack for adjusting to external economic crises. But now Japan faces a more complex crisis, emanating from within. The nation must restructure its economy to accommodate not only shareholders' demands for a higher return on their investments but also the wishes of workers eager to enjoy the prosperity they have created (Hillenbrand, 1992, p45).

"From Miracle to Mid-Life Crisis" (1993) makes the same point, indicating two reasons why this recession could be seen as different from the previous ones: (1) the nature of the slowdown; and (2) changes taking place in Japanese society. Whether this would lead to long-term problems depended on theories of how Japan got to be the world's second most powerful economic engine in the first place. One argument has it that the economy blossomed on the backs of the workers and consumers and that it was allowed to do so as long as it grew so quickly that living standards were dragged along with it. Now that it has slowed, standard of living is also endangered. Institutional bribery and other corruption were also tolerated so long as everyone

benefited but were now perceived as having grown out of hand. In the end, the article indicates that Japan has the capacity to pull itself out of the recession because of its "distinctive form of capitalism" and predicts that "in the early years of the next century ... it will still be out-performing the other big industrial economies" (pJ5).

Obviously, this prediction did not come true. In 2001, headlines still read the same way: "Monster Problems: Japan Is Getting Pretty Scary" (*Fortune*, 2001, April 2); "Missing: \$3 Trillion" (*Forbes*, 2001, April 30); "The Japanese Economy in Balance Sheet Recession" (*Business Economics*, 2001, April). As Kano (2001) put it:

The Land of the Rising Sun disappeared behind the dark side of the moon more than a decade ago, and, incredibly, has yet to emerge. To the contrary, it now appears to be floating off helplessly into a deflationary black hole from which no one has a clue as to when it might return (p82).

Blecsak (2001) points out that, at the beginning of 2001, the banking system was still in a state of disarray, faced with mounting numbers of non-performing loans and new ones added monthly as companies continued to go bankrupt. And the two original causes of the recession—the precipitous fall in real estate prices and the stock market—are still there, with real estate at 20 percent of their early 1990s values. At the time, it was argued that the only thing that was keeping the GDP from slipping into negative territory was the strong demand for high-tech materials—and that is no longer true. As well, Japan now

carries the highest gross public debt of all the industrialized nations, pegged at 136 percent of the GDP. In the words of Philip Hall, director of equity research at Credit Suisse First Boston: "I don't see what is happening now as anything new, rather the culmination of a long, chronic, slow-motion crisis, stemming from the refusal of successive governments to tackle the underlying problems. Japan is like a giant pyramid scheme in which the whole edifice is moving closer to collapse" (Quoted in Delgado, 2001, pITEM01095011).

The warnings today are the same as they have been throughout the 1990s (Schmidt, 1996; Shibata, 1998; Brummer, 1998; Bremner, 1999). For example, by 1996, many Japanese firms were abandoning their long-term practice of not laying off people or eliminating positions, something which went counter to one of the cornerstones of Japanese business practice with its emphasis on harmony, stability, and consensus (modeled after the ideal Japanese family). Shibata (1998) argues that the end of the "Heisei Boom" (1986-1991) resulted from drops in (1) rental housing construction; (2) durable goods consumption; and (3) fixed business investment in non-manufacturing firms. The reasons behind the continued slump are: (1) slump in fixed business investment; (2) negative contribution of private consumption to the GDP; (3) rapid increase in the public debt ratio to the GDP; (4) negative foreign demand: "The most crucial factor of the Japanese depression of the 1990s was debt deflation ... The main reason for this ... was the instability of the Japanese financial

system ... Japanese financial institutions accumulated a huge amount of bad assets and faced a decline in capital asset ratio due to the depreciation of stocks and land ... The Ministry of Finance concealed the real financial positions of the Japanese banks and postponed the disposal of their bad assets" (p416-417).

This last statement perhaps hides the kernel or crux of the situation. The banks were having difficulty disposing of "their bad debts" because many billions of dollars in loans were held by either the *yakuza* or *yakuza*-fronted businesses. It would be like trying to collect a debt from the mafia in the U.S.

2.5.2 Government Scandal

While government corruption and scandal are given as one of the reasons for current problems with the Japanese economy, the truth is that corruption or *kinken-seiji* (money politics) has been endemic in the country. In 1988, for example, aides to the then-prime minister were accused, along with 74 other politicians and journalists, of cashing out illegal insider tips on the Recruit Cosmos real estate company ("How to Make Pals with Pols," 1988; "Murk in Japan," 1988; "You Scratch My Back ...," 1989; "The Scandal Will Not Die," 1989; "Sand in a Well-Oiled Machine," 1989; "Is There No End to Recruits for Japan's Scandal?" 1989).

An editorial in *The Economist* at the time said in part:

Corruption is burrowing deeper and deeper into Japanese political and business life. Japan did not invent it, certainly, but corruption has become more extensive there than in other industrial countries ("Murk in Japan," 1988, p17).

How bold and brazen were Japanese politicians? Ken Harada, deputy prime minister and director-general of the Economic Planning Agency continued taking money from Recruit well after the scandal broke—and after he had been appointed head of the parliamentary committee which was investigating Recruit ("Is There No End ...," 1989). By the spring of 1989, the scandal had engulfed Prime Minister Noboru Takeshita himself, forcing him to resign. This was followed in 1989 with the country's new prime minister caught up in a sex scandal as well as allegations of undeclared political donations ("Once Over Lightly," 1989). Then came the Nomura Securities scandal in 1991, alleging that the firm has loaned \$290 million to Susumu Ishii, retired boss of the country's second largest crime syndicate ("While Sleeping Watchdogs Lie," 1991) and the arrest in 1992 of Fumio Abe, senior political ally to the prime minister, for accepting \$540,000 from Kyowa Corp., a steel-frame maker ("A Scandal by Any Other Name," 1992).

Among the other scandals breaking in the mid- to late-nineties were:

- **Sagawa Express:** Allegations that the highly profitable trucking company bribed more than 120 politicians (including two members of the then-current cabinet and three ex-prime ministers) to the tune of \$630 million while at the same time funneling billions of dollars to gangsters (Eisenstodt, 1992; "Dirty Dozen," 1992; "One Delivery Too Many," 1992; Redl, 1992; "Cash Diet," 1992;

"Political Sin," 1993). The scandal spelled the end for Shin Kanemaru, king maker for the Liberal Democratic Party. Following Kanemaru's arrest, public prosecutors found more than \$51 million in cash, bonds and gold bars in his offices and homes.

- **No Pan Shabu Shabu:** In 1998, two high-ranking officials (chief bank inspector and deputy) with the Ministry of Finance were arrested for taking bribes from banks in return for tipoffs on government surprise inspections, thus giving the banks a chance to hide bad loans and real estate investments that had gone sour. This was followed by a third official hanging himself with his own neck-tie and the resignation of the finance minister (Tashiro & Sakamaki, 1998; Butler, 1998; Sakamaki, 1998a, 1998b; Horvat, 1998). The raid and arrests marked the first time in 50 years that a sitting bureaucrat had been arrested. The bribes included trips to a Tokyo entertainment where waitresses take off their underwear for an \$80 tip (thus *no pan shabu shabu* or "hot pot without panties"). According to Richard Hanson, author of a book on the Ministry of Finance: "When the Japanese economy was expanding, people didn't care if bureaucrats had a good time. But during the present, long recession, the semi-corruption that has been part of the Japanese financial industry is no longer seen as acceptable" (Quoted in Horvat, 1998, p40).

- **Central Bank and Dobon:** Also in 1998, prosecutors raided the Bank of Japan for the first time in its 116-year history to arrest a senior official accused of providing inside trader information for \$33,000 in golf and dining (Tashiro, 1998): "At the central bank, accepting free nights on the town was so commonplace that bureaucrats had their own argot for it ... One code word was *dobon*, literally the sound of a heavy object plopping into the water, which referred to a night out for the bank's heaviest hitters at restaurants where dinner might cost \$400 a head and attractive kimono-clad women serve the sake" (p35).

While each scandal seemed to lead to one more prime minister resigning (there were eight in all between 1987 and 1998) and promises that the economy would pick up, this has not proved to be the case thus far. Perhaps most indicative of the unclear signals given off by Japan's power brokers came in the "promotion" of Katsuhiko Kumazaki, the prosecutor who led the raids on the Ministry of Justice in the spring of 1998. By the summer, Kumazaki had been sent off to Toyama prefecture, a rural area on the northwest coast known for fishing and rice production (Clark, 1998).

2.5.3 Banks: Bad Debt and Financial Sector Woes

When 1991 started, the danger of mounting bad debt for Japan's banks was hidden behind the more immediate problems of a

collapsing stock market and real estate prices. Yet, by the fall of that year, these bad debt problems were starting to come to the surface ("Bad-Debt Troubles," 1991; "Deep in Bad Debt," 1991; "Overburdened: Japanese Banks," 1992; Garsson, 1992). In the first seven months of that year, there were 5600 bankrupt companies with more than Y4 trillion (\$29 billion) in bad debts. This did not take into account the companies which had to restructure some Y15 trillion in debts, the ones who were alive simply because they did not pay the interest on their debts, or the Y2 trillion in fake deposit certificates used as collateral.

By 1995, it was estimated that the banks were carrying something like \$600 billion in bad loans with some predicting it would rise to \$800 billion or 10 percent of all loans (Morris, 1995). The reason it proved so difficult to determine the amount of bad debt lay in the lenient accounting and lax disclosure rules—and the fact the banks could pretend to show a healthy balance sheet by shifting bad loans to non-bank affiliates (Sugawara, 1996). In 1997, what the Ministry of Finance said could not happen did—the Hokkaido Takushoku bank, the country's 10th largest commercial bank, collapsed, the largest financial collapse in Japanese history ("Sayonara? Japanese Banks," 1997; "And Then There Were 19," 1997).

In October of 1998, the Japanese government announced a \$500 billion bail-out ("Japanese Banks", 1998). However, by this time the estimates on the bad bank loans had reached \$1.2 trillion or some 30 percent of the GDP—and those were just the

private banks (Rohwer, 1998; Smith, 1998). Independent Strategy, a London-based investment group, predicted public sector bad loans would be in the same vicinity (Rohwer, 1998). According to an article in *The Economist*: "Were they obliged to keep realistic accounts, perhaps half of Japan's 19 biggest banks, which between them account for around 70 percent of the country's bank assets, would require either immediate nationalization or a huge injection of fresh capital" ("Empty Package," 1998, p92). On December 13, 1998, another of the country's top banks—the Nippon Credit Bank—was nationalized with the discovery that nearly half its loans were non-performing ("Japanese Banks: Hard to Credit," 1998; Zielenziger & Walcott, 1998).

In an analysis of bank systems in general and the Japanese system in particular, Genay (1998) and Peek & Rosengren (1999) listed three major reasons for the problems faced by these banks, including:

- Sharp declines in stock and land prices in Japan;
- Collapse of commercial real estate prices in the U.S. in 1990-91;
- The 1998 Asian crisis and problems with asset quality.

Because banks are a source of funds for firms, have an important role in the transmission of monetary policy, and are an integral part of the payments system, the social costs of bank failures may be greater than those of other types of businesses. Previous studies on the determinants of bank profitability and the likelihood of bank survival have shown that certain bank characteristics are important in determining future bank performance (Genay, 1998, p12).

Unfortunately, for Japanese banks, these characteristics included an under-performing economy, growing problem loans and outright bad debts, high credit expenses for these problem loans, and low profitability. Differences between U.S. and Japanese accounting practices when it comes to banks made it easier for problems to be covered up in Japan. These differences included the definition of non-performing loans, how loan provisions and reserves were handled, the charge-off policy, how securities were valued, and Bank of International Settlements (BIS) capital requirements (Genay, 1998).

Peek & Rosengren (1999) concentrate a part of their analysis on the extremely close relationship between a bank and the *keiretsus*, groups of firms which are closely tied together both because of natural affinities in the marketplace and in the holding of equity. The bank or banks associated with these firms not only served as their primary source of credit but often had equity in the firms—and senior positions would flow either way. This meant that Japanese banks had a tough time cutting off credit to customers even when those customers were no longer viable.

By 1999, the banks had written off Y13.5 trillion (\$117 billion) in bad loans ("Japanese Banks Narrowly Avoid Crash landing," 1999): "The problem is that almost as fast as banks provide against existing bad and doubtful debts, new ones continue to come on to their books as a result of the continuing high level of corporate bankruptcies" (p8).

Despite all the government's efforts in trying to deal with the near-fatal collapse of the banking system, in 2002, the country does not seem any closer to a resolution of the problem. In fact, many experts are saying that only now are the banks willing to take the drastic measure of cutting off insolvent companies instead of feeding them a lifeline. One of the most dramatic cutoffs was Daiichi Kangyo Bank's pulling away from Phoenix Resorts and its Seagaia ocean park, forcing the company into bankruptcy with debts of more than \$2.2 billion (Chandler, 2001). In 2000, it was estimated that the total liabilities of corporations in the country who were seeking protection from creditors had reached a record-breaking \$195 billion.

2.6 Brief Summary and Analysis

As indicated, the extensive literature review above provides a set of alternative analyses related to the effects of corruption and organized crime on Japan's economy, both in the long-term and during its present crisis period. In effect, the literature review "drilled down" from a set of general, over-arching theories on essentialist versus constructivist philosophical and sociological approaches through definitions of corruption and down to the specifics of corruption and organized crime in Japan.

What the literature has shown is that there is normally a tolerance of what might be defined as corruption, provided that the corrupt acts do not seriously damage a nation's economy. In other words, people will tend to turn a blind eye while

government departments, regulators, and banks take part in practices which most agree are not ethical—as long as those acts do not hurt the people in a discernible way.

As the literature also indicated, the Japanese banks were more than willing to loan huge sums of money to real estate and stock investors in the mid-to-late 1980s, without being too concerned as to who was actually behind these businesses. Once more, no one made noises about this until the collapse of the Japanese economy. This was followed by the banks using various accounting practices to hide the extent of their non-performing loans. A large percentage of these loans (the actual amount would be extremely difficult to ascertain given the secrecy of the *yakuza* and the bankers) turned out to be in the hands of Japan's organized crime syndicates. Because both real estate prices and the stock market were a mere fraction of what they had been at the height of the economic bubble, the assets held by both legitimate businessmen and the *yakuza* did not match the amounts of the outstanding loans. There was also the problem of trying to collect these non-performing loans. The failure to reveal the size of these loans and the inability to collect them, this paper asserts, has meant the difference between a recovery and a continuing recession.

As well, this analysis of the literature review has allowed the establishment of the following set of assumptions for the questionnaire survey and interviews used in the next two chapters of the study:

- Assumption One: Corruption and organized crime have been part of Japanese government and political life throughout its history and more specifically after the Second World War;
- Assumption Two: These forces—the acceptance of bribes, gifts, sinecures, and the influence of the yakuza—have been there even when the economy was at the height of its powers;
- Assumption Three: The nature of Japanese governance and its political party system has not changed significantly following the end of the American Occupation of the country;
- Assumption Four: Corruption within Japan has not changed to a significant extent, judging from the reports of indictments and trials.

Ergo, if these assumptions are correct, we have the following hypotheses to be explored:

- Hypothesis 1: There must be other factors involved in what is occurring presently within the economy, factors which helped facilitate the initial conditions for the recession (even if they did not create them) and which are making it much more difficult for Japan to escape the recession than other parts of the world;
- Hypothesis 2: Among those factors was the movement and involvement of organized crime into the upper echelons of the banking system in Japan, leading to the ease with

which *yakuza* and/or *yakuza*-fronted entities received billions in loans during the real estate boom;

- Hypothesis 3: Once the boom ended and the bubble collapsed, the banks were left holding billions in non-performing loans, the majority of which were due from companies with *yakuza* ties and connections;
- Hypothesis 4: Because of the nature of the Japanese banking system, the banks did not act quickly enough to (a) reveal the extent of the non-performing loans; and (b) take action in dealing with them until the situation had become untenable;
- Hypothesis 5: The situation in Japan and the reasons behind its prolonged recession are unique to that country, even given an essentialist reading of the definition of corruption.

Chapter III: Understanding Corruption Survey

3.1 Introduction

As indicated in the Chapter 1 overview, the methodology of this paper is divided in two. The first part, the Likert questionnaire administered to a randomly-selected group of subjects, is designed to allow the gathering of data with reference to comparative differences in the understanding of corruption as a general concept and corruption within a specific country—in this case, Japan. As well, the Likert questionnaire allows more specific referencing of the *yakuza* and its role in Japanese society. The Likert questionnaire was distributed to a random cross-section of people, representing a population sample of 100 in the city of Tokyo.

For this particular part of the survey, the basic steps in the development and implementation of the research model were the following:

- 1) Develop the research methodology, and prepare the Likert scale questionnaire;
- 2) Define and select the various samples of individual subjects to be surveyed;
- 3) Evaluate the validity of the Likert scale and interviews;
- 4) Send out the Likert scales;
- 5) Collect the data;
- 6) Analyze the data.

3.2 Research Strategy

The research strategy employed in this chapter is the use of a survey instrument in the form of a Likert-style chart. Responses to the Likert-style chart are tabulated and compared to the results garnered from the analysis of the literature review. This allows a "matching up" of responses pertaining to the differences in the understanding of corruption. As well, a series of questions have been formulated that the researcher will attempt to answer through the survey (a different set of questions relate to the interviews). These questions are:

- Does the Japanese public perceive the general idea of corruption differently than specific instances of corruption in Japan itself?
- Is there a significant difference between how the Japanese public sees corruption and how the literature defines it?
- In terms of an underlying theoretical framework, does the Japanese public see corruption as essentialist or constructivist in nature?
- What is the nature of the relationship between the Japanese government and organized crime?

Given the nature of the field of study, a research design with qualitative elements appears to be most appropriate. This qualitative design allows for a broad-based and inclusive approach to the subjects and to the research findings. Specific

measurements may be expressed (in terms of percentages of survey subjects fitting into one of the five Likert scale categories), but quantitative analysis of the resulting data is less important than the degree of insight or understanding that the material provides (Wainwright, 1997). In terms of the survey, the researcher is attempting to describe the relationship between attitudes towards corruption in general and what the respondents feel are the effects of corruption and organized crime on the Japanese government and economy.

In essence, the Likert technique presents a set of attitude statements rather than knowledge or skills relating to a certain subject (although such knowledge or skills are not ruled out). While Likert scales can vary in their degree of continuity, in this case, respondents have been asked to express agreement or disagreement on a five-point scale with extremes at either end (from Strongly Agree to Strongly Disagree). At the same time, as part of the survey instrument, the Likert Scale questionnaire provides some sort of closed chart with well-defined parameters upon which those who respond can be aligned and percentages assigned to provide matching. As Wainwright (1997) explains, while it is true that the Likert's main objective is to collect opinions, perceptions and emotional responses rather than any factual decision-making process, it does allow the researcher to gauge where the largest number of those responding would be found on any specific question or statement, a statistical chart, as it were, upon which respondents can be graded and plotted. From

this, a relationship can be set up to provide some form of feedback mechanism both for the specific answers and the overall responses. In this case, that feedback mechanism can be compared to the literature on the same subject.

There are several characteristics found in most Likert scales. These are:

- The measurement of something which has an underlying quantitative measurement continuum—i.e., the measurement of a property of something that can vary qualitatively rather than quantitatively (an attitude, for example, can vary from being very favorable to being very unfavorable);
- The short-hand conversion of the attitudes scale to a quasi-quantitative numbering system (1 to 5; or 1 to 7 depending on the spectrum);
- Each item has no 'right answer,' making the scale different from a multiple-choice test (and thus not usable) to test for knowledge or ability;
- Each item in a scale is a statement, and respondents are asked to give ratings about each statement. This involves asking subjects to indicate which of several response choices best reflects their response to the item (Underwood, 1999).

3.3 Likert Scale Results

Of the 100 questionnaires sent out by mail to a non-random convenience sample of Japanese subjects, a total of 84 were returned. Of the total returned, 73 were complete and proved usable. A breakdown of those Likert scale results are shown in Table 3.1 below. The results show the number of respondents for each of the five possible responses on the first line--and the percentages corresponding to those numbers on the second line (percentage rounding off might mean that not all the rows total 100%). As indicated, the possible answers ranged from Strongly Agree to Agree, Undecided, Disagree and Strongly Disagree.

#	Statements	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
1	Corruption is the same no matter where it takes place in the world	41 56%	20 27%		12 16%	
2	Corruption is always wrong--even if it helps improve the economy in some cases	45 62%	22 30%		6 8%	
3	Public or government officials who accept gifts are by definition corrupt	16 22%	21 29%	9 12%	20 28%	7 10%
4	There is no difference between an official fixing a parking ticket for a fee and skimming money from a building contract	18 25%	15 21%	6 8%	25 34%	9 12%
5	Government officials need to be held to higher standards than ordinary citizens	63 86%	8 11%		2 3%	
6	Countries with high levels of organized crime also have high levels of corruption	60 82%	7 10%	2 3%	4 5%	
7	Organized crime is never good for the ordinary citizen	64 87%	4 5%		5 7%	
8	In places where governments are ineffective or themselves corrupt, organized crime can help make sure things run smoothly	10 14%	23 32%	3 4%	15 21%	22 30%
9	Where the rule of law cannot be properly enforced, citizens must turn to organized crime power brokers	7 10%	18 25%	8 11%	25 34%	15 21%
10	Corruption of some type has always been a part of Japan's government structure	5 7%	14 19%	5 7%	24 33%	25 34%
11	Corruption is at a higher	21	26	4	13	9

	level today in Japan than in the past	29%	36%	5%	18%	12%
12	Corruption is a major reason for the prolonged economic recession in Japan	17 23%	19 26%	11 15%	11 15%	15 21%
13	Japanese organized crime has infiltrated the highest levels of political life	12 16%	22 30%	8 11%	14 19%	17 23%
14	Japanese organized crime was closely involved with the start of the recession	15 21%	18 25%	12 16%	21 29%	7 10%
15	Money lent to organized crime and/or front businesses has helped to prolong the recession	13 18%	25 34%	11 15%	18 25%	6 8%
16	The system of moving bureaucrats into business/consultants positions following retirement is a good one	6 8%	30 41%	18 25%	14 19%	5 7%
17	Government banking overseers and bankers have a sufficiently arm's-length relationship within the Japanese system	8 11%	21 29%	20 27%	17 23%	7 10%
18	The moral idea of "losing face" is sufficient to ensure that bureaucrats and politicians in Japan do not become corrupt	18 25%	27 37%	5 7%	17 23%	6 8%
19	Corruption and organized crime involvement are a problem only the Japanese government can solve	12 16%	28 38%	3 4%	21 29%	9 12%
20	Corruption and organized crime concern the entire population of Japan	38 52%	27 37%	2 3%	4 5%	2 3%

Table 3.1: Breakdown of the Likert Scale Questionnaire results.

The questionnaire—with 20 statements in all—was divided into two major sections: the first nine statements dealing with responses to organized crime and corruption in general, the second 11 dealing more specifically with opinions and attitudes on what has been taking place in Japan. The idea is to create a comparative sampling and a way to see how closely ideas and opinions on the subject matter in general correlate to ideas and opinions related directly to Japan.

In the survey, the first four statements dealt with the meaning of corruption in general terms and what people take to be or not to be corruption. The response to the first statement was

interesting in that only 56% Strongly Agreed with the statement that "Corruption is the same no matter where it takes place in the world." However, another 27% Agreed. At the other end of the scale, there were no Undecided and no Strongly Disagree, leaving 16% to Disagree. There was a stronger Strongly Agree reaction to the second statement ("Corruption is always wrong—even if it helps improve the economy in some cases") with 62% of the respondents, while another 30% were in the Agree category. This left only 8% in the Disagree as once again there was no Undecided or Strongly Disagree. When it came to the third statement, however, there was a much larger spread across the five points of the scale. Only 22% Strongly Agreed with the statement that "Public or government officials who accept gifts are by definition corrupt," while another 29% Agreed. The fact that only 51% in all disapprove is not surprising given the fact that gift-giving from the public to government officials and politicians is a well-accepted tradition in Japan. There is a split visible, however, with 12% of Japanese respondents Undecided on the issue, 28% in the Disagree category, and even 10% in the Strongly Disagree. This is one area where further studies would be needed to determine if cultural differences would result in the same split there is now given a much larger sample.

The fourth statement—"There is no difference between an official fixing a parking ticket for a fee and skimming money from a building contract"—also showed a wide split across the five points. In fact, the total of the Strongly Agree and Agree

categories (46%) was identical to the Disagree and Strongly Disagree. Statement five ("Government officials need to be held to higher standards than ordinary citizens") had the second highest level of Strongly Agree among the responses with 86% in that category, and another 11% in the Agree. That leaves a mere 3% in the Disagree. This is not an unexpected result for this particular type of statement, given the fact citizens do like to hold their elected officials to higher standards in principle even if they are not sure of what that means on a case by case basis.

The next four statements—six to nine—had to do with levels of corruption and organized crime and the connection between the two in general terms, without mention of any particular country or region. Statement six ("Countries with high levels of organized crime also have high levels of corruption") and Statement seven ("Organized crime is never good for the ordinary citizen") showed very high levels of Strongly Agree. In fact, statement seven had the highest level of all at 87% while statement six had 82%. Once again, this is not surprising as there seems to be universality to these kinds of reactions, a general agreement to be on the high moral ground. In statements #8 and #9 which deal with the feasibility and viability of organized crime as a governing force, it is interesting to note that, while the majority felt such power was inappropriate, still a fairly large number of respondents answered positively. This indicates some ambivalence towards organized crime (especially

when the government itself is felt to be corrupt or not working in the best interests of the citizens. Fourteen percent of respondents Strongly Agreed with #8 and 32% Agreed. The numbers were a little lower for #9 which talked about the inability to enforce the rule of law (10% Strongly Agree and 25% Agree). Still, as indicated, these are fairly high numbers and perhaps reflect a kind of pragmatism and facing up to the "reality" of the situation. In other words, no one wants to be perceived as naïve in this respect.

In statements 10-13, having to do with the structure of Japanese government and the levels of corruption within that government, there were some surprising results—at least at first glance. For example, it might come as a bit of a surprise that only 7% Strongly Agree and 19% Agree that "Corruption of some type has always been a part of Japan's government structure" while at the same time a total of 65% of respondents Strongly Agree and Agree that "Corruption is at a higher level today in Japan than in the past." However, on closer examination, the two might be connected in that they both hint at a golden past (the first from a negative angle and the second from a positive). In other words, the implication is that the troubles besetting Japan are of recent origin. As to the statement that "Corruption is a major reason for the prolonged economic recession in Japan," the respondents were split, with 48% in the Strongly Agree and Agree categories, 36% in the Disagree and Strongly Disagree, and 15% Undecided.

As for organized crime in Japan, statements 13 to 15, it seems fairly significant that 46% of respondents either Strongly Agree or Agree with the statement that organized crime has infiltrated the highest levels of political life in Japan. A similar response and similar splits occurred for statement 14 (the involvement of organized crime in the start of the recession in Japan). An even higher percentage of respondents felt that money given or lent to organized crime and/or organized-crime front businesses was helping to prolong the recession—18% Strongly Agree and 34% Agree. When seen together, the responses to these three statements are consistent with a populace that is not quite certain of (or does not want to really know) the relationship between organized crime and the Japanese economy. It is also shown in the high numbers of Undecided—up to 16% for statement 14.

But the level of uncertainty and indecision is nothing compared to those seen in the next two statements having to do with bureaucrat/business relations and the bankers/bank inspectors. In fact, statement 16, having to do with the system whereby bureaucrats are moved into business/consultancy positions following retirement, shows a full one-quarter of the respondents in the Undecided category, while 59% in all Strongly Agree or Agree. Statement 17 (the relationship between government banking inspectors and the bankers they are supposed to oversee) provided 27% in the Undecided category. It is unknown whether this reflects uncertainty about the relationship or lack of knowledge

on the part of respondents as to what that relationship really amounts to.

Of interest is the response to statement 18 (losing face as a way to keep politicians and bureaucrats from becoming corrupt) which indicates that many Japanese (a full 62% Strongly Agree or Agree) still believe that the notion of "losing face" can still serve as a way to prevent rampant corruption and keep politicians and bureaucrats in check. Once again, a cross-cultural study would be interesting, if only to see if the numbers garnered here would stand up under a more generalizable survey sample.

The surprise in statement 19 had to do with the fairly low numbers (54% in all) who feel that solving the problems of corruption and organized crime is something only the Japanese government can do. As expected, the general statement 20 ("Corruption and organized crime concern the entire population of Japan") elicited overwhelmingly Strongly Agree or Agree numbers (89%).

As to be expected, the Likert scale results show an ambivalence between responses to straightforward questions such as whether corruption is universal and those having to do with the details of what might be designated as corruption (gift-giving, for example, or the Robin Hood effect when it comes to organized crime). In other words, once the high moral ground has been established, the battle then becomes one of dividing up the territory in meaningful ways—and often respondents disagree as to

what that territory should be. It is here that the nuances become important.

3.4 Comparative Analysis: Survey and Literature Review

At its most obvious, the literature review is a valuable source of information for such things as comparative corruption theories, models and effects; studies in the theoretical nature of organized crime; the *yakuza*: history, present-day activities, and involvement within the government and business enterprises; and Japanese banks (losses, loans and scandals) and the Japanese economy. It is also useful as a comparative tool to use alongside the survey responses, even if direct comparisons and contrasts cannot always be made. A detailed comparison between the Likert scale respondents and some of the literature on corruption is presented in Section 5.2.1.

Chapter IV: Organized Crime and Economic Distress— The Interviews

4.1 Introduction

The second part of the methodology for this paper consists of a set of interview questions administered to a group of anonymous Japanese government and bureaucratic officials and others who are willing to speak out on the nature of corruption in Japan, the involvement of the *yakuza*, and the role corruption/organized crime may have played in creating or prolonging the current recession. Rather than a series of statement responses, the focus here is a more in-depth examination of thoughts, opinions and feelings, as well as an attempt to underscore predominant or prevailing themes.

It is the belief of the researcher that the combination of an examination of secondary literature related to this subject and the two-tiered methodology offers a new way of looking at the political, social, and personal implications with respect to governance and organized crime in general and Japanese banking and the *yakuza* in particular. It is hoped that the research conducted in the field will be of help in the areas of political science (in terms of understanding the government-corruption axis), sociology (the determination of a potential moral-cultural divide in studies of corruption), and economics (the linkage between banks, non-performing loans, *yakuza*, and recession).

Kirk and Miller (1986) define qualitative research as a "particular tradition in social science that fundamentally

depends on watching people in their own territory, and interacting with them in their own language, on their own terms"

(9). Qualitative research explores people's subjective understandings of their everyday lives and of the events that take place around them. It relies more on thoughts, feelings, concerns, suppositions, etc., than on any quantifiable facts or level of expertise. Qualitative research

[E]ntails immersion in the everyday life of the setting chosen for study, that values participants' perspectives on their worlds and seeks to discover those perspectives, that views inquiry as an interactive process between the researcher and the participants, and that is primarily description and relies on people's words as the primary data (Marshall and Rossman, 1989:11).

At the same time, qualitative research has worked out a series of criteria which work as an overarching support for the analysis being done—and for ensuring that the research has some type of basis. These criteria consist of:

- The need for researchers to situate themselves and their assumptions (Elliott et al., 1996; Stiles, 1993);
- That it is clear whether the analysis aims to provide a general (i.e., representative) understanding or one which is of specific instances (Elliott et al., 1996);
- That the sample is situated (Elliott et al., 1996);
- That the analysis is set in the context of previous research and study (Stiles, 1993; Turpin et al., 1997);

- That the account of the analysis is linear, coherent and structured (Coyle, 1995; Elliott et al., 1996; Turpin et al., 1997);
- That the account is persuasive and can be trusted.

This dissertation examines the effects of corruption and organized crime (in the form of the *yakuza*) on the Japanese economy over the last decade. In particular, the paper looks at the relationship between banking practices during that decade and the ongoing recession in Japan, starting with the collapse of the real estate and stock markets in the late 1980s, early 1990s. In more general terms, it is hoped that the study's results will shed light on the more general question of the connection between corruption, organized crime and economic activity throughout the world.

This chapter presents qualitative results from the personal interviews carried out with a selection of Japanese officials, politicians, bureaucrats, bankers, and even a member of the *yakuza* itself who volunteered to undergo these interviews. The chapter presents:

- The results from the personal interviews
- The identification of various significant themes emerging from the interviews
- A comparison of the qualitative Likert scale results and the interview questions to see how closely a non-random convenience sampling and a volunteer selection approach

one another in their responses. These data are heuristic rather than experimental in nature

- A concluding section with a brief summary of the results.

While the previous chapter concerned itself mostly with respondents providing factual answers to a five-point possible spread, this chapter presents a more indepth look at the questions behind the research. Among those questions:

- Does the situation in Japan call for a new paradigm which takes into account a government system where corruption/organized crime are essential characteristics and cannot be extricated or separated from "legitimate" patterns without destroying the entire fabric?
- Could the recent economic woes in Japan be the result of a shift from primary corruption to secondary (Werlin's Hypothesis) rather than simply the result of corruption per se? In other words, is there a point where the balance is tipped from an economy which is functioning despite (because of, in concert with) corruption/organized crime to one which is in danger of collapse within the same general framework?
- How much of the Japanese economy's woes are internal and how much external?
- For its internal woes, how much can be attributed to structural problems (political hierarchy, the bureaucratic system, patronage patterns), and how much to organized crime?

- What needs to be done to lift Japan's economy out of its present-day doldrums?

4.2 Interview Strategy

Measurement in qualitative research is usually concerned with classification, rather than quantification, with answering questions such as, "what is X, and how does X vary in different circumstances, and why?" rather than "how big is X or how many Xs are there?" Qualitative research is concerned with the meanings people attach to their experiences and how people make sense of the world as opposed to any objective analysis of that world or the conducting of repeatable experiments. It therefore tries to interpret social phenomena (interactions, behaviors, etc.) in terms of the meanings people bring to them, given the large number of variables (some virtually impossible to uncrate) in any such attempt. In this case, the interpreted social phenomena would be the reactions of people to the perceptions identified in the set of hypotheses concerning corruption, economic recession, the *yakuza*, etc.

One standard qualitative method uses direct communication between the researcher and the subject, most often through the face-to-face interview (either formal or informal, structured, semi-structured, or completely open-ended). The purpose of the interview is to gather more information and interpret findings which have resulted from preliminary surveys and questionnaires. By listening to the subject discuss the problem and attempt to

answer the questions, the researcher gains information on the subject's beliefs and perceptions. The researcher's understanding of the information may be incomplete and imperfect, because subjects are describing beliefs and perceptions rather than facts. This helps provide the basis for the outer expression or manifestation of their attitudes.

In other words, the investigator delves into beliefs, feelings and intentions, and draws inferences from the subject's experiences, observed behaviors and stated opinions. The dispassionate and purely objective approach is abandoned in some respects, in the hope of finding a new level of communication with the subject. Harper (1994) sees the value of interviews as "lying in enabling an exploration of: the different ways discourses can work together to produce novel and surprising positions; the different effects such positioning can have; and the possible interests at work in shaping those accounts" (131).

Concerning the "subjectivity" of such a research method, there is admittedly some loss of pure scientific objectivity. Stiles writes that "good practice recommends disclosure by the investigator of his or her expectations for the study, [as well as] preconceptions, values and orientation" implicit in the research (1993:602). The dispassionate and purely objective approach is abandoned in some respects, in the hope of finding a new level of communication with the subject:

... [D]eep personal involvement and passionate commitment to a topic can bring enmeshment, with its risks of distortion,

but they can also motivate more thorough investigation and a deeper understanding. Detachment and distance can distort too. Revealing an investigator's personal involvement and commitments in the process of investigation allows the investigator's part in the story into their understanding, and helps to adjust their understanding to compensate for the investigator biases. The strategy of revealing rather than avoiding involvement is consistent with the broader shift in goals from the truth of the statements to the understanding by participants and readers (Stiles, 1993:614).

As well it should be pointed out to those who are worried about the perceived lack of objectivity found in the interview research method that the choice to abstain from the scientific method is done deliberately, with full knowledge of what is about to take place, and with the realization there is more to be gained than lost. The idea is that a purely scientific method cannot capture the full nuances of a subject's feelings, intentions, priorities, etc. In other words, the interview is seen as a way of increasing the complexity level (just like the Likert scale goes beyond the 'yes-no' questionnaire). The interviewer sacrifices the notion of absolute truth for one which is relative to the situation at hand (Ward-Schofield, 1993). The researcher's personal involvement in the process of investigation and interpretation helps increase the depth of understanding of the subject matter.

This does not mean, however, that there are no criteria when using the qualitative interview strategy—or that "anything goes." Among the criteria are included: situating the researcher

and sample, clarity of aims, contextualization, linearity and coherence, and persuasion. There is no doubt that, on occasion, conflicts do arise among these criteria (for example, between the notion that transparency and clarity are needed and the requirement that strict confidentiality and accountability need to be upheld).

At the same time, one must not make the assumption that someone else, another qualitative researcher, could come along and come up with the same interpretation. This leads to a positivistic view which goes contrary to qualitative analysis because it ignores all the theoretical work as well as cultural and historical analysis done before the interviews and subsequent analysis. A test for the transparency criterion, in this sense, is not that this researcher's interpretation could be duplicated but rather that it could be understood and serve as a potential explanation among many (depending on the context).

As Sherrard (1996) points out, one must not sacrifice validity for repeatability and reliability. This strategy is consistent with the broader shift in goals from the absolute truth of the statements being made to the relative understanding of those statements as objects upon which further statements may be built—and eventually some form of truth may be discovered.

The steps to creating an effective semi-structured interview are as follows:

- Come up with a number of broad, overall questions which you feel need to be answered in order to determine why

the study is being conducted and what the researcher hopes to achieve from it. Potential questions could be in the order of: (a) Descriptive: "What is the connection between the Japanese banking crisis and the lending of money to yakuza-fronted businesses during the boom years?"; (b) Normative: "How well is the Japanese government doing in ensuring that corruption and organized-crime infiltration are kept to a minimum?"; and (c) Cause-and-effect: "Why is the Japanese economy still in recession after more than a decade?"

- The translation of these broad questions into elements which can be measured in some way or other in order to test the hypotheses.
- A target group needs to be identified.

The questions need to be:

- Relevant to the study: In this case, they need to be mainly those which can solicit information and other data related to the connection between the Japanese economy and organized crime and corruption;
- Asked of the right people: The questions need to be directed at government officials, bureaucrats, business and banking executives, and organized crime experts who are currently involved in the Japanese economy or the fight against corruption, or who have had such experiences in the past.

- Easy to respond to: A delicate balance needs to be drawn between the need to obtain some fairly complex answers and the structuring of the questions so that the interviewee does not have to spend too much time trying to determine what the question really means. The purpose is to get data that has not been documented before or to get data which has been documented but which may require further explanation and interpretation.

Semi-structured interviews are preferable to open-ended or completely structured ones in a study of this type. The open-ended question has a tendency to allow the person being interviewed to go about talking about whatever he or she wishes rather than what the interviewer wants to obtain for the purposes of the study; the strictly structured question runs the risk of missing relevant information. As well, some interviewees do not like completely closed or structured questions, and prefer the feeling of having some control as to the direction an interview is taking.

It is also important to develop a rapport with the person being interviewed so that there is the greatest potential to get as much information out of the person as possible. This means that the ordering of the questions is important—with the first few questions being used to establish the accuracy of data the researcher may already have: name of the person being interviewed; position within the company; number of years in that position; duties and responsibilities, etc. These should be

followed by questions which are fairly easy to answer. Everything should be kept in some sort of order: logical, chronological, reverse, whatever seems most appropriate to get the most out of the interview.

In this particular study, the Likert survey questionnaire has been followed up by personal, face-to-face interviews with a potential 20 government officials, bureaucrats, business and banking executives, and police officials willing to speak out anonymously on the subject of the study. While many of the questions asked during these interviews were similar to the statements made in the Likert survey, there was the added advantage of being able to interact with the person and to obtain feedback in a dialogue style. This often led to new paths and directions.

This option was chosen over the use of universal open-ended questions for the entire Likert-scale population sample for several reasons. One was the fact that a more directed approach was needed following the random selection of the Likert scale recipients—rather than sample the opinions of a random cross-section of society, it was felt that indepth interviews with those who could be considered experts in the area of corruption, banking, economics, crime, etc., would be of more benefit to the study. Another reason was the amount of time it would have taken to administer a series of open-ended questions to the one hundred who took the Likert scale questionnaire.

The actual interviews were conducted following the

completion of the Likert questionnaire. The interviews were conducted either in the homes or in the offices of the participants by the researcher himself. Interviews were conducted in an informal way in order to keep stress and anxiety levels down and to make the participants feel at ease. In other words, they took the form of one-on-one conversations used to elicit information on the state of Japan's economy, its banking problems, and the nature of organized crime and corruption in the country. The interviews were a subset of the interview strategy—neither completely open-ended nor completely structured. Thus, while the main series of questions remained the same for all those being interviewed (structured), some of the derivative questions or follow-ups did not (open-ended). Thus, some of the data gathered can be compared from one interviewee to another while other material cannot.

While an effort was made to identify potential interviewees prior to the conducting of the face-to-face interviews, every precaution was taken to ensure complete anonymity. All interviews were conducted separately and in private, and all personal information for individual interviewees suppressed. Those who agreed to be interviewed were scheduled as per a mutually agreeable time and were told they would have to sign an informed consent form. As part of the agreement, they insisted that they would not disclose any information that was deemed proprietary or that would allow others to identify specific individuals within

the Japanese government, bureaucracy or banking system. The conversation had to be kept on the level of abstract speculation.

Face-to-face interviews were preferred to either telephone or mailed open-ended questionnaires in this instance for several reasons:

- Compared to a telephone interview, the face-to-face lets the interviewer see as well as hear;
- The questions can be more complex in a face-to-face as opposed to the telephone;
- Many who would not bother to answer a mail questionnaire or who would only answer certain questions will be more likely to cooperate in a face-to-face;
- A face-to-face helps establish a rapport which cannot be otherwise gained;
- The face-to-face interview is a much faster way of obtaining information.

The semi-structured interviews that followed were taped and later transcribed for analysis by the researcher. Data collection consisted of tape recording the interviews while taking notes and documenting any interviewer observations. A sample set of interview questions is shown in Appendix 2. Please note that these questions are merely guidelines and could face revision on an ongoing basis depending on the circumstances in individual interview situations and the particular direction each of the interviewees wishes to take during the discussion. In other

words, the questions serve only as the basis for an ongoing dialogue which may take many different turns and avenues before the interview session is over, so that not all the questions are asked of all the interview subjects.

The interview data was organized for interpretation by marking responses bearing on the study questions, then compiling a separate list of these responses in a summary of the most significant results. The interviews were individually reviewed to check for remarks of potential significance for the study. The notes compiled in this manner were appended to the front of the interview transcript for use as a guide for a later review of the material. In the same way as the Likert scale survey, similar responses from more than one interviewee were noted and charted.

4.3 Interview Results

Out of a possible 20 people approached, a total of eight—one former banker now retired; one currently active banker; one ex-bureaucrat now holding a business consultant position; one ex-politician also retired; one university sociologist; one business person; one retired member of an organized crime gang; and one ex-prosecutor—agreed initially to be interviewed for this project. This was on condition of complete anonymity. When it came time to actually do the interviews, the presently active banker declined, leaving seven. These remaining subjects agreed to answer, in one form or another, the questions noted in Chapter IV Appendix 2. The interviews were conducted by the researcher

while in Japan and involved face-to-face meetings with six of the seven. The retired *yakuza* member took the extra precaution of installing himself in a curtained room so that he could not be seen by the researcher. As well, he disguised his voice in case the tape recording became available to others. Below are the highlights of each of the interviews as they have been translated and summarized by the researcher and interviewer:

4.3.1 The Ex-Banker

This respondent indicates that:

- There is a key connection between money lent to *yakuza*-fronted businesses during Japanese boom times in the late 1980s and the current prolonged recession. This is especially in the form of non-working loans which banks have had to write off.
- The reason many of the loans have not been called in is because they are being held by *yakuza*-fronted businesses and there is really no way to reclaim these loans—especially as many of the businesses have been stripped of all their assets or have had the value of those assets degraded.
- Bankers did not perform due diligence during the boom times when they gave out money too eagerly on property guarantees which were over-evaluated and which then became useless once the real estate bubble burst.

This respondent favors a further separation between the public and private sectors in Japan so that banks and other financial institutions are not as closely tied to bureaucrats and government officials. He feels that this would help do away with the unhealthy relationship among bureaucrats, banking inspectors and overseers, and banking officials. At the same time, the interviewee admits that these kinds of changes will come up against well-organized and entrenched resistance from the establishment and the *yakuza* alike. As well, he surmises that no presently active banker will admit to any wrong-doing or negligence: "I do not blame them. They are simply protecting themselves in a situation where they feel they are being scapegoated by government officials and bureaucrats."

In respect to the more general questions related to corruption, he feels that:

- Corruption is the same wherever it occurs with greed as the main culprit;
- Corruption might help a country in the short term but would never be to its advantage in the long run;
- The habit of gift-giving in Japan has become a dangerous one as it has opened the door to wholesale bribery;
- Those who break the public trust should be severely punished but ordinary citizens should also be made aware of the dangers because "they, too, might someday be put into a situation of trust and they need to know how to respond";

- Corruption and organized crime are not necessarily connected—you can have corruption without organized crime but you cannot have organized crime with corruption;
- Corruption levels in Japan are the same now as they have ever been—but the transfer of money has been made much easier thanks to the Internet and also corruption is better reported these days in the media;
- "Losing face" is still very important—and that is the reason we see such a high level of suicides among disgraced officials and bankers;
- Japan does not have a moral crisis any more than any other country in the early 21st century: "It is a matter of getting the economy back on track."

4.3.2 The Ex-Bureaucrat

This respondent spent a great deal of the interview discussing views on whether corruption might actually be of help under some circumstances. He declared that any evidence of this sort would have to be examined very carefully in order to rule out any other variables.

As for the hypothetical situation where a bureaucrat in a dictatorial country has the opportunity to keep someone from being tortured (by accepting a bribe from that person), he indicated that the idea was simplistic as the bureaucrat had to be extremely concerned about his own welfare under those circumstances: "He might be forfeiting his own life—especially if

a system of spying is in place, as I imagine it would be given the conditions. The bribe would have to be fairly large to make taking such chances worthwhile."

According to his respondent, gift-taking and corruption in the form of bribery is not necessarily the same thing. This is especially true in a society such as Japan where there is a long-standing tradition of gift-giving and where not giving a gift at appropriate times is a sign of disrespect. At the same time, he is adamant that any official who takes a bribe in order to circumvent the law or regulations or to allow queue jumping on the part of a business or individual deserves to be severely punished. The betrayal of trust plays a large role in this respondent's moral code. He explains that he has always tried to conduct himself in a manner that served the best interests of those who employed him—be it as a bureaucrat or as a private-sector consultant. But he also says he has had to work within the system—and his personal sense of pride and honor sometimes clashed with what was happening around him.

Among his other responses:

- Corruption is not morally relative but rather the same wherever it is found;
- Corruption and organized crime are separate issues although they can often be found together;
- Citizens should never turn to organized crime for help; instead, if their government is corrupt or inept they should fight to bring in a new one;

- All governments have some level of corruption but it is no higher today in Japan than in the past;
- Corruption and organized crime might have played a minor role in the Japanese recession, either to start it or prolong it, but there were other factors which were more important: "As a bureaucrat, I know how slow we were to react to the new reality of the world economy. We allowed our sense of security to overcome the alarm bells that were sounding all around us. And we super-inflated our real estate valuations and stock market."

4.3.3 The Ex-Politician

This respondent readily admits that politics in Japan is a cut-throat game and that politicians often have to strike deals for reasons which are not always entirely ethical: "If you are not willing to strike up these deals, then you won't last long as a politician. People who think they can come in riding a white horse and start cleaning out the political stables are not only naïve but potentially dangerous for their own constituents."

Keys to this respondent's way of thinking are:

- The relative nature of corruption which, under very specific circumstances, can even be a good thing;
- The acceptance of grey areas and contingencies so that every situation is different and must be handled differently;

- The belief that you have to get your hands dirty to get things done or all your good intentions will go down the drain;
- The tacit acknowledgement of an organized crime-government-private sector axis through which flows a great deal of the country's wealth and project-management capacity.

As for distinctions between gift-giving and bribery, he believes that circumstances dictate whether the giving of a gift to a public official is labeled a bribe: "Both the person giving the gift and the person accepting it know in their hearts if it is a bribe or simply an act of respect." This respondent made a distinction between the "normal" acts of governing—which might involve making "deals with the devil" as it were—and individual bribe taking on the part of government officials. For him, the taking of bribes for personal gain should be severely punished while the use of incentives and other ways to stimulate the economy should be admired.

4.3.4 The Sociologist

This respondent argues that corruption cannot be taken as relative in a moral sense and that we must have some essential definition of the concept. Otherwise, we would be setting different ethical and moral standards for different parts of the world. That, in turn, would lead to a breaking down of the idea that we are all similar as human beings and allow arguments such

as the notion that dictatorships might be good for some countries. Instead, he says that, while we all have the same basic ideas of what is right or wrong in general terms, moral standards can be conditioned by society—and that is what he thinks happens everywhere. So, while we all believe in good and bad in an absolute sense, how we come to grips with those concepts is intrinsically connected to the society we live in, the way we were brought up, the way we see others act, etc. If we are brought up to believe that the giving of gifts is a sign of respect, then it becomes that. The problem arises when there are clashes between that sense of respect and honor, and the desire to advance in the world.

As for the idea of "losing face," this respondent feels that it has lost much of its original ability to prevent the spread of corrupt practices in Japan: "In a society where shame is used as a way to prevent people from committing immoral or illegal acts, a grave danger is faced when that shame itself becomes perverted.

"We now have a society which is starting to twist upon itself—and where the members of organized crime gangs are the ones considered honorable while our politicians and bureaucrats are seen as greedy and mean-spirited. Ironically, in some ways, it is a bit like going back to the days of the samurai here in Japan; or the days of the Western in the United States."

This respondent does not see a homegrown solution to the moral and economic crises facing Japan. He sees it as the

symptoms of a much greater malaise—that of a capitalist system clashing with the moral order of the individual: "Greed overcomes shame. The banker, the bank inspector, the government official—they all take bribes despite knowing that it is wrong to do so."

4.3.5 The Businessperson

This respondent is adamant in his belief that corruption and organized crime are not necessarily one and the same: one can exist without the other. As well, there are times when it is okay to take the law into one's own hands if the government itself is not effective or corrupt. He describes how he has had dealings with the *yakuza* as well as government officials on the take. It is his opinion that the *yakuza* is more upfront about what they do: "As a businessman, I have had to slip envelopes to officials to get something done. It is the way of the world. It is done everywhere—not just in Japan. I wish it were different. But an honest businessman won't get very far—except maybe the poorhouse."

He also feels that this type of corruption has always existed. It is only the media these days that makes it seem as if there is more of it. And he does not feel that corruption is responsible for what has happened in Japan in the last decade: "It is no different now than it was 50 years ago. We have had scandals as long as we have had government. So why should this be any different? No, something has changed to cause this recession, something that we have no control over."

4.3.6 The Yakuza Member

This respondent presents a unique viewpoint on the situation, arguing that the *yakuza* exists because the Japanese people want it to exist. They need it to exist. It represents the outlaw or outsider element: "We thumb our noses at society because they rejected us. We were the outcasts no one wanted so we banded together for protection. It is as simple as that." He argues that the *yakuza* is not just a bunch of thugs but a grouping of organizations with their own codes and rules—and not much different from most businesspeople in trying to make a profit from their transactions. He gives examples of situations where the *yakuza* helped private citizens when the government wouldn't or couldn't; examples of how the *yakuza* has gone into poor neighborhoods and provided people with jobs and a bit of dignity; examples of how it has stood up to bureaucratic bullies and businessmen who wanted to take advantage of the poor.

As for the key question of the effect of the *yakuza* on the banking system and bank loans, he says: "I know nothing about that. No bank has ever given me a loan. But I guess the ones who do get loans are just like other businesses: they pay when they can and default when they can't.

"When Enron went bankrupt in the United States, how much money did the banks lose? How about WorldCom? Were they members of the *yakuza*? Or the mafia? No sir. If you want to blame the *yakuza* for what's happening in Japan right now, you're barking up

the wrong tree. Look at the politicians and bureaucrats for that. They're the ones with their hands in the till. If it weren't for crooked politicians, there would be no place to hide."

He does admit, however, that the *yakuza* is quick to get in there to demand its share of the pot when it sees the opportunity to do so: "Sure, if someone throws money on the street and you're passing by, what would you do? That's what happened in the late 1980s. There was money everywhere and the banks were anxious to give it away."

As for other beliefs:

- Corruption is the same everywhere and he has seen plenty of it—especially in the upper levels of government:
"You'd be amazed at how many church-going big wigs hold their hand out."
- While organized crime might be connected to corruption, the *yakuza* is not: "We don't start the corruption, at any rate. It's already there and we just get in line with the rest."
- "Losing face" is still very important, especially among members of the *yakuza*: "Respect and dignity are keys. We have a lot of pride and we don't like to be called gangsters and crooks. In fact, we want to help out when we can."
- To get Japan out of its economic troubles, the people are going to have to force the government out: "If you want the truth, the problem with these governments is that

they're too soft. We need to bring back a stronger government, one that isn't afraid to crack a few heads to get what it wants. Like we had before the war."

4.3.7 The Prosecutor

This respondent feels there is a definite connection between corruption, organized crime and Japan's recession. This was brought about because of the lack of an arm's length relationship between bankers and the bureaucrats who were supposed to regulate and watch over them. He claims that most bankers played the "See No Evil" game when they gave bank loans to businesses which were obvious fronts for the *yakuza*: "They knew who they were dealing with, alright. They knew these were shady deals with shady characters. They just weren't interested. All they saw was the dollar signs. They thought they would double and triple their money and so they handed out the citizens' savings like they were their own. And they thought they wouldn't get caught. They thought the politicians and bureaucrats would protect them, and the economy would roll on forever so no one would see that they were skimming off the top."

According to this respondent, and this was a point made by all the respondents, the *yakuza* could never have infiltrated legitimate business if it hadn't been for bankers, investors, politicians and bureaucrats looking the other way. As more and more money was pumped into the system, thanks to the over-heated real estate and stock market of the late 1980s, the opportunities

became greater and the restraints fell away: "Everyone was looking around and seeing others fill their pockets. No one wanted to be left behind. We became a nation of money-grubbers with no true moral compass." The idea was that this would keep on going forever and everyone would be paid back and the economy would soar.

Other beliefs expressed include the following:

- "Losing face" is still a very powerful concept as he has seen the results of it with his own eyes—especially the suicides of the high banking officials who were being blackmailed or had been caught stealing: "It's good in a way because it keeps some on the straight-and-narrow. But it's also bad because those people who have done wrong should just come forward as witnesses instead of killing themselves."
- The difference between gift-giving and bribery is becoming less and less obvious—and the custom should be abolished or restricted only to family members and close friends: "Where do you draw the line? How do you know what's in someone's heart when he gives or accepts a gift? Most times, somewhere in the back the person who receives the gift feels the obligation to return the favor. If that person is someone of influence and power, that's when things can get tricky."
- Getting Japan out of its present economic problems will take more than government intervention or even the

prosecuting of a few crooked politicians or *yakuza* gang members: "We need a whole new approach and we need all of our society working on it. If we don't, our way of life might be permanently damaged."

4.4 Identification of Themes

There were several recurring themes that emerged from these interviews with the seven respondents. With regard to the key aspects of what was going on in the late 1980s and early 1990s in Japan, it was generally agreed that a corruption-*yakuza*-political power axis existed. Another theme that came across, though not as unanimously, was that of the effect of such an axis on the Japanese economy and whether or not such an axis led to the recession which continues to this day. A third theme consisted of a more general discussion on the nature of corruption, its relation to organized crime and to the society in which it is embedded.

Connected to this were thoughts on human nature and motivational factors, the notion of "losing face," greed versus honor, and gift-giving versus bribery. Finally, many spoke in a comparative way, trying to find parallel examples in other societies.

Even though these were very knowledgeable people (some even powerful and influential in areas where the economic effects were most felt), it seems that most respondents saw themselves as not responsible for what has taken place in Japan. Perhaps the one who comes closest is the retired *yakuza* member—at least in terms

of honesty. As well, only one of the respondents (the sociologist) tried to offer some solutions to the problems—even if he did it only in general terms.

Table 4.1 below summarizes the themes found from these interviews. The themes were extracted from the interview material, and can be correlated indirectly to the results of the Likert survey questionnaire, and to the analysis of the Chapter II literature review.

Name	Key Aspects 1980s-90s	Effect of corruption/ organized crime on economy	Nature of corruption and ties to organized crime	Levels of corruption	Idea of losing face	Gift-giving versus bribery
Banker	bank loan scandal	led to prolonged recession	universal/ not always connected	no change from past	still very important	same/ should be stopped
Bureaucrat	slow to react to new economic reality	minor role/ other factors	universal/ not always connected	no change from past	still very important	not the same
Politician	nothing in particular was different	minor role/ other factors	relative/ not always connected	no change from past	still very important	depends on circumstances
Sociologist	symptoms of malaise caused by capitalist system	minor role/ other factors	universal/ not always connected	increased with increased greed	lost its ability to "shame"	depends on society
Businessman	nothing in particular was different	not responsible	relative/ not always connected	has not changed	no longer as effective	depends on circumstances
Yakuza	politicians bureaucrats cause of recession	not responsible	universal/ no connection	increased with increased greed	very powerful even today	depends on circumstances
Prosecutor	lack of regulation/ close connection between bureaucrats and bankers	definite connection	universal/ definite connection	increased with increased greed	very powerful even today	custom should be abolished

Table 4.1: Summary of Important Themes from the Interviews.

A breakdown of the important themes and how the seven interviewees reacted to them indicates:

- **Key Aspects:** no consensus or agreement with only two indicating the banks as keys to what happened (Banker and Prosecutor); two not knowing what was different to cause the problems (Politician and Businessman); and the others with individual selections.
- **Effect of Corruption/Organized Crime on Economy:** three indicating they played a minor role (Bureaucrat, Politician, Sociologist); two with direct responsibility (Banker, Prosecutor); two not at all responsible (Businessman, Yakuza).
- **Nature of Corruption/Ties to Organized Crime:** five indicate that corruption is universal (Prosecutor, Yakuza, Sociologist, Bureaucrat, Banker); two relative (Politician, Businessman); five state corruption and organized crime not always connected (Banker, Bureaucrat, Politician, Sociologist, Businessman); one absolutely no connection (Yakuza); one always connected (Prosecutor).
- **Levels of Corruption:** four no change in levels over the last 50 years (Businessman, Politician, Bureaucrat, Banker); three citing increased levels (Sociologist, Yakuza, Prosecutor).

- **Idea of Losing Face:** five believe it is still very important today (Prosecutor, Yakuza, Politician, Bureaucrat, Banker); two not as important or powerful (Sociologist, Businessman).
- **Gift-Giving Versus Bribery:** four indicate it depends on society or circumstances (Yakuza, Businessman, Sociologist, Politician); two say the two concepts are similar and custom should be ended (Banker, Prosecutor); one not the same at all (Bureaucrat).

4.5 Comparisons Between Likert Survey and Interviews

Some interesting comparisons could be made across the two samples in the study: the Likert survey results and the personal interview responses. In the area of the nature of corruption (universal/relative), 83% of the survey believed it was the same no matter where it took place (universal); 5 of the 7 interviewees were of the same opinion. As to whether corruption and organized crime was mostly responsible for the start of the recession, 46% of the survey thought so, while only two of the interviewees felt it was the main reason. In the levels of corruption area, 65% agreed that it was higher today than in the past; 4 of 7 interviewees felt the same way. When it came to the effective power of "losing face," 62% thought it was still a strong enough idea to deter politicians and bureaucrats; 5 of 7 interviewees agreed. Finally, in the category of gift-giving

versus bribery, 51% of respondents felt that the acceptance of gifts by public officials was tantamount to accepting a bribe; 2 or the 7 interviewees agreed in an unqualified way with that.

Table 4.2 below shows the breakdown of these categories.

Category	Likert Survey	Interviews
Universal nature of corruption	83%	5 (71%)
Corruption/Organized Crime to Blame for Recession	46%	2 (29%)
Corruption Levels Higher Today	65%	4 (57%)
"Losing Face" Still Effective	62%	5 (71%)
Gift-Giving as Bribery	51%	2 (29%)

Table 4.2: Comparison in Themes Between Japanese Likert Respondents and Interviewees.

While it must be understood that the number of interviewees does not allow for a correlation, it is notable that in four of the five categories the randomly-selected Likert survey respondents scored higher than the hand-picked interviewees. In one case—the Gift-Giving as Bribery—the difference was very noticeable. However, it must be pointed out that only one of the interviewees said that there was absolutely no connection between gift-giving and bribery, while four agreed that circumstances had much to do with it. It is also notable that the only category where the interviewees scored higher was in the "Losing Face" one. In both these cases, this might be related to the fact the majority of these interviewees were older men and thus might not be completely in tune with the more general population when it came to these "traditional" beliefs.

4.6 Summary

This chapter has presented a preliminary analysis of the qualitative findings of the face-to-face personal interviews conducted by the researcher. The findings indicated some similarities as well as some noticeable and surprising differences between respondents on the Likert survey and the interviewees.

The results of the interviews outline a set of dominant themes found among the seven interviewees. Results indicate a fair level of disagreement in some areas—especially in the Key Aspects. This was not surprising as the respondents were allowed to decide on their own what the key aspects might have been, thus allowing for a potentially infinite number of different responses, rather than being given a finite set to choose from. In fact, it can be argued that the responses were closer than they look at first. The Banker indicated the “bank loan scandal” as the Key Aspect; the Prosecutor indicated “lack of regulation/ too close connection between bureaucrats and bankers”; and the Yakuza member cited “politicians” and “bureaucrats.” When you eliminate the Sociologist who claimed the recession was the result of “symptoms of malaise caused by the capitalist system,” only two had no answer to this: the Politician and the Businessman.

Another theme that was prevalent in the qualitative analysis was the universal nature of political corruption and the

belief in the fact that corruption and organized crime are not always connected.

The following chapter provides a further discussion of results, as well as a summary that compares the two sections of the qualitative methodology: The questionnaire survey and the interview.

Chapter V: Summary of Results

5.1 Introduction

The purpose of this paper is to examine the effects of both governmental and institutional corruption and organized crime on the Japanese economy over the last decade. This has entailed examining:

- (a) the relationship between banking practices and the still ongoing recession in that country;
- (b) the relationship between government structures, bureaucracy and societal attitudes towards corruption and organized crime;
- (c) the perception of a more general connection among corruption, organized crime and economic activity as it manifests itself in various parts of the world.

This chapter is divided into three sections, including the introduction. The sections are broken down into:

- **Section Two:** Presenting a summary and concluding remarks on the results obtained through the combination qualitative/quantitative methodology described in Chapter III (survey) and Chapter IV (personal interviews).
- **Section Three:** A discussion of the limitations of the study in terms of the actual survey size, the decision to conduct joint surveys in the United States and Japan, the decision to only use the survey from Japan for this

particular study, the selection of potential candidates for the face-to-face personal interviews, and the qualitative nature of the study.

5.2 Summary of Results

5.2.1 The Likert Scale Questionnaire

It is important to note that the Likert Scale questionnaire had a very small nonrandom convenience sample (n=100), with a final usable number of 73. Thus, the survey is not generalizable over the population. However, it may be possible to use the results from this survey to conduct a much larger one in the future.

As well, it must be remembered that any statistical breakdown is only one aspect of the survey and no doubt the least important to the present set of hypotheses (though, once again, it may come in useful in future efforts to determine how different or similar the thinking is on corruption across societal lines). This, in turn, may relate to definitional stances people and societies take when it comes to these terms, i.e., in the different approaches to gift-giving versus bribes and how it may or may not affect fundamental moral stances on governmental, business, societal and personal practices.

For the purposes of this study, the results of the survey are only taken into account in the determination of some qualitative results and inductions rather than a quantitative statistical breakdown of the results. In the most general terms,

the results of the Likert Scale showed that, at the very least, the majority of those who responded did not feel any moral ambiguity towards corruption per se, even if they might define certain elements slightly differently. It is significant under the circumstances that the responses to Statements #1 and #2 having to do with the essentialist nature of corruption regardless of location and the immoral nature of the enterprise both elicited overwhelmingly positive responses. This leaves little doubt that there exists some type of universal notion of the word which all societies understand (even if details might vary).

This also fits in with a majority of the research done in this area in the past (and indicated in Chapters 1 and 2 of this paper). In particular, LaPalombara (1994) speaks of corruption "not necessarily tied to a particular type of political regime" (p327). This also fits many of the definitions for corruption as something universal rather than being particular to one society. Nye (2002), for example, describes it as "behavior which deviates from the normal duties of a public role because of private regarding" (p284). Friedrich (1974) described it in terms of a break of the public trust and a bypassing of normal channels for special interests.

As to the discussion on whether corruption can be classified as essentialist (identifiable across national boundaries and cultures in that its identity is in some way pre-determined) or constructivist (identifiable only within a

particular culture in that the particular society defines it), it would appear that the respondents lean to the essentialist version because according to MacDougall (1988), for example, while the public seems tolerant of "gray area" politics (and this is highlighted in the responses to statements about gift-giving versus bribery), that same public is quick to condemn what it feels are clear-cut violations. In other words, they might not be able to define corruption in a philosophical sense, but they certainly know it when they see it. Perhaps Philp (2002) best captures the feeling of most of the respondents when he describes corruption as "the accepted rules and standards for the conduct of public office within the political culture."

Where the majority of respondents seem to disagree with a number of authors is in the notion put forth by these authors (for example, Friedrich, 1972; Lui, 1985; Tullock, 1996) that corruption can actually be good under some circumstances. More than 90% of the respondents felt that corruption was always bad—even if it was seen to have helped improve the economy.

As for the related idea that organized crime might be good for citizens under some circumstances, the respondents definitely disagreed. However, there did seem to be some confusion here, as approximately half of the respondents answered that organized crime can help make things run more smoothly in situations where governments are either ineffective or themselves corrupt.

Perhaps, part of the explanation comes from where organized crime originated. In some societies, organized crime took root

because many of the members felt disenfranchised or part of ethnic minorities that were being exploited—as was originally the case in Sicily (Godson & Olson, 1995). On the other hand, some organized crime comes completely from outlaws and other criminals realizing that working together outside the boundaries of the law would allow them to increase their control. This might explain the split and ambivalence in the respondents who would answer a resounding “Strongly Agree” or “Agree” to “Corruption is always wrong” and a “Strongly Agree” or “Agree” to “In places where governments are ineffective or themselves corrupt, organized crime can help make sure things run smoothly.” It also explains the lower “Strongly Agree” or “Agree” numbers for the more direct statement of citizens turning to organized crime power brokers when the rule of law cannot be properly enforced. Thus, we have about 45% for the first statement and about 35% for the second. The implication is that citizens are more comfortable with an abstract statement about corrupt governments and organized crime versus one where an individual has to become personally involved and make his or her own decision on whether or not to get involved.

Not surprisingly, in the section of the Likert questionnaire dealing more directly with Japan’s problems with corruption and organized crime, the results are less positive overall. For example, a relatively small number of respondents (a little over 25%) either Strongly Agree or Agree with the statement that corruption has always been part of Japan’s

government structure. This seems to go against much of the literature of the subject, which seems to indicate that corruption or *kinken-seiji* (money politics) has been endemic in the country. According to Mitchell (1996), "structural corruption" has been part of the Japanese political system since the establishment of representational government in the mid-19th century.

On the other hand, a larger number of respondents believe that corruption is at a higher level in Japan today than in the past. This is more in keeping with the literature which has reported what seem an endless series of scandals and which can be summed up by an editorial in *The Economic* (1988):

Corruption is burrowing deeper and deeper into Japanese political and business life. Japan did not invent it, certainly, but corruption has become more extensive there than in other industrial countries ("Murk in Japan," p17).

As indicated previously, these results could be interpreted in a number of ways: for example, that the Japanese like many other societies have a vision of a golden past where such things did not exist, a golden age where people were more honest and trustworthy—and honorable. Or that corruption has never been and is not now a part of the government structure and that these corrupt practices are the work of certain individuals who have lost their moral compass.

Some of the more interesting response rates came in the area which might be loosely called "culturally-based"—that of accepting gifts, the idea of "saving face" or "losing face" as a

way to keep bureaucrats and politicians honest, and the practice of allowing bureaucrats to be moved into business/consultant positions once they've retired from government service. In Japan, where gift-giving is simply part of doing business, it is no surprise that there is a good deal of ambivalence towards the practice at a time of economic turmoil—with a little over 50% of the respondents believing that the acceptance of a gift indicated the public official was corrupt.

At the same time, the majority of respondents still put their trust in the efficacy of "losing face" as a way to keep politicians and public officials honest. This seems to fit into the "principal-agent" analysis of the causes of corruption and the reasoning behind why someone would or would not take the chance of accepting a bribe. If one equates the danger of "losing face" with a society's own moral standards, then, according to Kitzgaard (1988), the decision to accept or reject the lure of corruption has to do with "her own ethical, cultural, and religious standards ... on what her peers and colleagues are doing ... on how big a bribe she gets for how large a deviation from her responsibilities to the principal. For an unscrupulous person in a corrupt subculture, the moral cost of being corrupt may approach zero" (p71).

This indicates that the construction of boundaries when it comes to actually determining what does and what does not constitute corrupt behavior might very well have a cultural component, although it must not be forgotten that "losing face"

is a public not a private thing and could very well substitute for not getting caught. In other words, when someone "loses face," we are not witnessing an internal moral decision but one having to do with public reputation and perception: if the official is not caught, then he or she does not lose face.

This tends to re-enforce Heidenheimer (2002) and his breakdown of corruption into black, gray and white zones. According to Heidenheimer (2002), the reaction to acceptance of gifts by public officials for "generalized good will" in the set of societies that are Familist, Patron-Client, or Boss-Follower is that such gifts are SOP (Standard Operating Procedure) and considered within the white zone (that neither the elite nor the majority of the population are interested in seeing punished).

However, if gifts are expected by officials as a prerequisite before they set out to help in matters that are their duties, then it becomes SOP and white for Familist systems; Frequent Incidence and gray for Patron-Client based; Occasional Incidence and black for Boss-Follower; and Rare Occurrence and black for Civic Culture (see Section 2.3.1 for a more complete breakdown and explanation of Heidenheimer's political/cultural systems and types of behavior).

The question then becomes: under exactly what system should Japan be placed? Judging from the responses to these questions, it would seem it would be placed in the Familist, Patron-Client or Boss-Follower system (where the giving of gifts is considered

merely the "cost" in general of doing business with government officials).

One of the reasons why there may be less concern for gift-giving and any slide into bribery in Japan is provided by Alatas (1990). He notes that the notion that kinship and the requisite gift exchanges lead to bribery in traditional societies does not necessarily hold up under analysis:

Appointing relatives to public office against the rules of appointment, ignoring merit and qualification, is rejected by traditional society ... A phenomenological analysis of corruption will reveal that the constituent elements of corruption are cheating and stealing ... Traditional societies do not condone stealing and cheating" (p95).

However, commentators on the subject seem to be just as divided as the respondents. While Alatas (1990) argues against equating gift-giving with bribery, Seymour (1996) thinks exactly the opposite takes place in Japanese society. As he puts it:

There is institutionalized payola that flows from parent to teacher, patient to doctor, contractors to officials, distributors to suppliers, and within just about any important relationship imaginable. All these cash "gifts"—sliding under, over, and around the proverbial table—softens up the populace for real yakuza exploitation and corruption (p25).

Perhaps the key element in the responses is the separation between the "philosophical" and "sociological" approach to corruption and organized crime. Thus, while the philosophical underpinnings of an essentialist approach seemed upheld in the

responses (in the fact an overwhelming majority felt that there was a core element to corruption and that it was unequivocally bad despite any intentional or unintentional positive effects it might have), the response was not so straightforward when it came to dealing with corruption and organized crime on a personal level.

In other words, the sociological implications were vaguer and much less essentialist. In fact, there was a strong element of constructionism when it came to actually defining what corruption meant. This seems to be in keeping with Berger & Luckmann (1966) and their dialogue between the subjective (socialization and identity) and the objective (institutions and legitimacy), as well as Schmidt (2001) and his view of the inability of either philosophy or sociology to lay claims to the other's domain of inquiry.

We also have a tentative affirmation of Risse (2000) and the distinction between a constructivist "logic of appropriateness" and a rule-based "logic of consequentialism." The two logics differ in that the first calls for the ability to adjust to particular situations while the latter assumes that identities and rules are fixed. Once again, the Likert Scale responses indicate a split between a "logic of consequentialism" for abstract corruption theories and a "logic of appropriateness" for concrete examples of corruption.

To conclude, the responses for the most part seem to uphold the researcher's use of both constructivist and essentialist

viewpoints: one in a sociological sense and the other in an epistemological sense. To quote from Section 2.2: "while notions of corruption may be socially constructed, that does not preclude a universal continuum along which what is and what is not corruption is ultimately judged. In other words, while the particulars of any individual act might be considered either corrupt or not within a certain society, the general parameters of what constitutes corruption are known across cultures."

When it comes to the particular circumstances related to the problems of organized crime and corruption in Japan rather than in generalized terms, the survey responses were also less forceful and more ambivalent. That corruption is a prime reason for the Japanese recession, that organized crime was closely involved with the start of the recession, and that money lent to organized crime and/or organized-crime fronted businesses has helped prolong the recession all received about the same amount of support—about half of the respondents in each case.

Among commentators, the majority have made little mention of the involvement of organized crime in the collapse of the economy, citing other factors such as the hugely over-inflated values of the Tokyo Stock Exchange and real estate, over-spending on plants and equipment and R&D without immediate returns, and over-rapid overseas investment and expansion (Hillenbrand, 1992).

For Seymour (1996), however, there is no doubt as to the connection: "The well-documented connections between yakuza and politicians all pale beside the yakuza's hand in the inflation

and crash of the most awesome economy in the world" (p22). It seems that at least half of the respondents in this survey tend to agree with him.

As to a solution to the problem of corruption and organized crime (statements 19 and 20 of the Likert questionnaire), it would seem that the respondents are not quite sure what can be done about it. Just over half feel that it is something only the government of Japan can solve and, while a huge majority (89%) feel that the problem is of concern to the entire population, this does not seem to lead to a simple or direct way of taking care of it.

Once again, these responses may reflect the complexity of the situation as brought forth by several commentators, a situation which may have as much to do with government structures as with organized crime and corruption. For example, as pointed out by Pascha (1999), Japan's economy has thrived in the past despite structural corruption. One possible explanation is what Pascha (1999) calls the "one stop solution": "If companies know they can achieve a certain political decision or licensing agreement by paying a specific sum to a politician or bureaucrat, this helps them to make business decisions in a reliable framework."

Ironically, under these circumstances, it is the very act of trying to root out corruption that leads to a destabilization of the economic conduct of a country—especially in one that is over-regulated and has much of that regulatory power in the hands

of the bureaucracy. Once these centralized regulatory powers are stripped away (and along with them theoretically the power to extort bribes), one might actually get the reverse effect rather than the cleaning up. The result could be "decentralized corruption" which, according to Schleifer & Vishny (1993), could have an even more disturbing effect.

The reason? Firms looking to get things done no longer know whom they should approach to get the results they want. They may approach one person and yet it is someone else who has the actual power. This could help explain why, in a Japan where most people feel there is more transparency today in its bureaucratic processes, that transparency has not been translated into improved economic performance. It also helps explain the confusion and frustration felt by many respondents. As Pascha (1999) puts it:

[I]f corruption did indeed not have overwhelming negative effects on the Japanese economy under the system of the "iron triangle" and the "one stop" character of corruption in Japan, then it is indeed questionable whether a presumed decline of corruption has indeed net beneficial effects on the Japanese economy."

The other problem is that there is little quantitative evidence to prove that making processes more transparent (allowing the entire country to participate in the elimination of corruption as indicated by statement 20) will actually reduce the level of corruption. According to Bardham (1997), trying to get rid of either very high or very low levels of corruption within a

socio-economic system can be a lot more difficult than it first seems.

Figure 5.1 below presents a possible model showing this effect. The graph's horizontal axis indicates the percentage of corrupt government officials (from zero at O to 100% at N. The curve with points B and C shows the advantage of being corrupt. Thus, on the far left, the advantage is low because the chances of being caught are high. The positive effects increase with the number of corrupt colleagues—until they start to decline again because there are too many. The curve with A, B and D shows the advantage of being honest—very high when everyone is honest (A) and nil when everyone else is corrupt (D). It takes considerable effort to move back from N to any point where it is more of an advantage to be honest than corrupt.

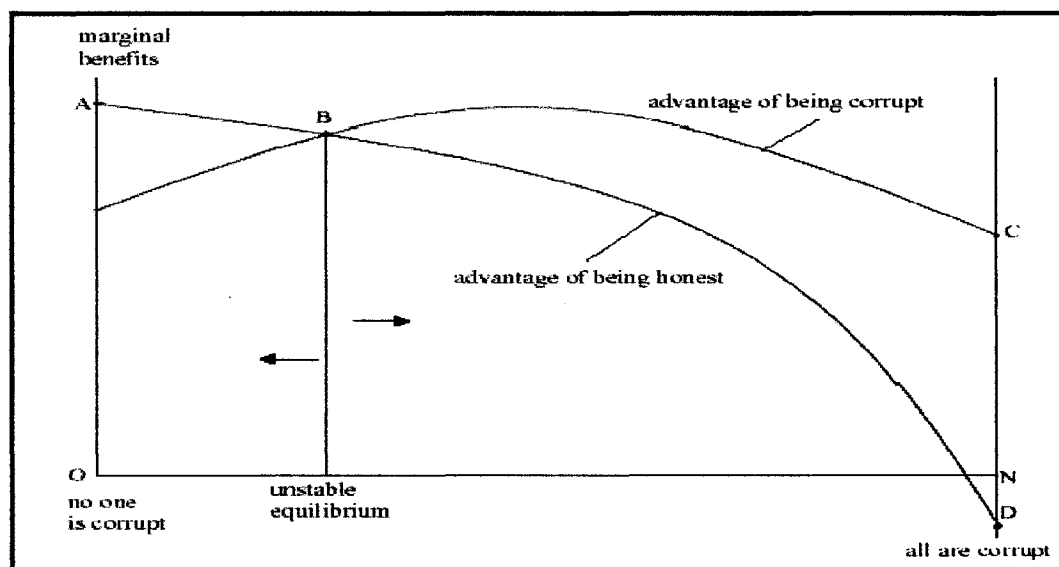


Figure 5.1: The incidence of corruption as a multiple equilibria problem (Bardham, 1997:1331).

5.2.2 The Personal Interview Questions

The seven people interviewed on the subject of the connection between Japan's economic problems and corruption/organized crime were selected because of their present or previous occupations/positions and the special knowledge they brought with respect to the topic for this study. It was felt that such interviews would be more productive than simply selecting a number of persons from the Likert survey convenience sample.

It was felt that the subject matter could be technical and difficult to understand and that the input from these interviewees could help shed light on it. As well, their answers could be expected to have more of an impact because of their expertise. Balanced against this is the consideration that the responses might also be "distorted" by the special interests of the person answering the question. There is thus also the "grain-of-salt" effect.

For example, in questions related to the effect of corruption/organized crime on the economy, it was not unexpected that the former yakuza member would say that corruption/organized crime were in no way responsible for the recession—and that the prosecutor would have exactly the reverse opinion. The same thing occurs in responses to the connection between corruption and organized crime: the yakuza member insisting there was absolutely no connection; the prosecutor saying they were always connected. The two were in agreement, however, that corruption was universal

in nature, and that the levels of corruption were on the increase.

In general terms and despite their special knowledge with respect to the situation, there was a strong parallel between the Likert survey responses and those from the interviews. Although in no way identical, generally where a majority of the survey respondents agreed on something, the same thing would be true of the interviewees. In fact, the one area where there was a substantial difference was in the idea of gift-giving as bribery: while just over 50% of the survey respondents believed that was true, only two of the seven interviewees felt that way.

Although it would be speculation, one explanation for this discrepancy is that members of the social stratum from which most of the interviewees come are more likely to be on the receiving end of gifts and thus would want to dissociate such gift-giving from bribery with its more unsavory aspects. In the breakdown of the gift-giving/bribery responses, the two who felt there was a definite connection between the two were the ex-banker and the prosecutor; the bureaucrat argued there was no connection between the two concepts; the other four (including the yakuza member) said it depended on social factors or circumstances.

As indicated in the results section of Chapter Four, the Likert scale respondents had higher percentages of Strongly Agree and Agree in four of the five theme categories compared to the specifically selected interviewees: Universal nature of corruption, corruption/organized crime to blame for recession;

corruption levels higher today; and gift-giving as bribery. This could be attributed to the propensity of those in privileged positions compared to the general population of being privy to more information and thus taking into account more variables and levels of complexity than the "ordinary person."

The one category where the interviewees had a stronger positive response was in "losing face" as an effective way of controlling levels of corruption. Here, a second factor must come into play: that of personal experience. Without question, many of the interviewees had either experienced the dangers of losing face themselves or had seen friends and colleagues subjected to it, often with tragic consequences. Thus they would be more alert to and aware of its effectiveness. Most Likert scale respondents would be more "objective" under these circumstances and see the statement as a theoretical one rather than a personal one.

It must also be pointed out that losing face is just as important for the criminal element as it is for bureaucrats, bankers and politicians—both within their own underworld where pride and appearance are of the utmost importance and as a weapon to be used against others in positions of power and trust. In fact, much of the literature dedicated to this subject speaks of the way organized crime manipulated bankers and bureaucrats so that they were caught in compromising positions and then blackmailed for favors—with the threat of having their "affairs" exposed publicly (Fulford, 2000a; Seymour, 1996).

This also muddied the waters when it came to the various "suicides" among prominent bankers and politicians, making it harder to determine which had been genuine suicides to avoid "losing face" and which had been staged by the yakuza to simply get rid of troublesome officials who were either fatally compromised or unwilling to be compromised (Hirsh & Takayama, 1997; Kaplan, 1998; Fulford, 2001).

In any event, the psychology behind the various responses can only be dealt with in further studies in this area. In the area of most importance, that of trying to determine to what extent corruption and/or organized crime were to blame for the collapse of the Japanese economy, and for keeping it in that deplorable state over the last decade and a half, it seems that the ambivalence of the Likert respondents continues with the interviewees.

Only the banker and the prosecutor were firmly of the belief that this was the principal reason leading to the prolonged recession: the banker indicating that the bank loan scandal was only the tip of the iceberg when it came to these kinds of revelations; the prosecutor citing a lack of regulation, and an unhealthy connection between bureaucrats, bankers and elements of the criminal class.

Aside from the yakuza member, the businessman also denied any connection between the economy's collapse and organized crime. The argument here was that the collapse was simply a matter of a free market system working to adjust what had become

untenable: the inflated real estate and stock market prices. He likened what happened in Japan in the late 1980s to what recently took place in the United States: "Simply an adjustment caused by supply and demand. Too much supply, not enough demand. Everything else is already factored in. We swing too far one way and then have to swing back." Ironically, although on the other side of the political divide, the sociologist took pretty much the same view—only he called it the "dysfunctioning of the capitalist system" and a signal that more government regulation should be brought in so that innocent people do not get hurt while the rich and the "sleazy" continue to accumulate money.

5.3 Limitations of the Study

Although the study has shown a noteworthy fit between the survey and interviews carried out and the literature available on the subject, the study is subject to certain limitations. Among the limitations are:

- As previously mentioned, the inability to make use of the American portion of the survey due to its relatively small size for the purpose of cultural comparisons;
- The relatively small size as well as the non-random nature of the Japanese survey (n=73), thus leading to questions about its generalizability over the population;
- The choice of participants for the interviews. There is no way of telling how representative each of the people

chosen is of his particular field of specialization. Thus the opinions must be taken as strictly personal (with the proviso that they do come from someone with expertise in that area);

- The interviewees all being male, a result of the highly-paternalistic and patriarchal nature of Japanese society. (That in itself could be the focus of another study into this subject matter);
- The very small size of the participants in the interview process: a larger grouping might have made it possible for internal comparison (say between two or three banker responses);
- The qualitative nature of the survey and interviews leading to a lack of objective observation using external variables that can be independently corroborated;
- Some difficulties in pinning down what exactly some of the terms mean (as indicated in the literature on the subject), thus leaving interpretations open;
- The reliance on perceptions, attitudes, biases, self-interest, etc., possibly leading to distortions and embellishments.

Having pointed out these limitations—and they are serious ones, it is important to note that the study has achieved what it set out to do in its own modest way. These results are not so much a set of definitive answers but rather a probing of the situation and a set of statements outlining the various

probabilities, according to the survey and interview respondents on the one hand and the literature review analysis on the other. The interpretive responses to the original questions asked are produced in the next section as is a more general conclusion.

Chapter VI: Conclusions, Recommendations, and Remarks

6.1 Introduction

This chapter is broken down into six separate sections. Aside from this introduction, those sections include:

- **Section Two:** Interpretive responses to the questions originally asked in the Statement of Field of Study/Hypotheses Section 1.5.
- **Section Three:** A conclusion focusing on the role that the *yakuza* played/is continuing to play with respect to the Japanese economy.
- **Section Four:** The implications of the study for the present-day situation in the Japanese economy, the possibility of the eradication of governmental and institutional corruption along with the influence of the *Yakuza*, and the effects such an eradication and/or reduction in influence would have on the future of the Japanese economy.
- **Section Five:** The making of several recommendations for further research in the general field of corruption and organized crime as well as in more specialized fields within particular countries.

Section Six: Some concluding remarks on the status of the study as well as personal observations on the part of the

researcher with respect to the themes examined and evaluated.

6.2 Questions and Field of Study

- Does the situation in Japan call for a new paradigm which takes into account a government system where corruption/organized crime are essential characteristics and cannot be extricated or separated from "legitimate" patterns without destroying the entire fabric?

The responses indicate that this is no more or no less true of Japan than it is elsewhere. Whether corruption/organized crime can ever be completely separated from the legitimate functioning of the government is another matter. As Pascha (1999) points out:

Trying to repress even the last instances of corruption may possibly be very expensive indeed ... From an economic point of view, it is therefore not sensible to try to get rid of all corruption.

According to Mitchell (1996), the history of corruption within the Japanese government can be traced back at least 1000 years and there is no reason to believe it did not occur before this only that we have no historical records to prove it. As well, Japan is definitely not on its own here. In fact, as Table 5.1 below indicates, Japan seems to have a fairly solid record when it comes to corruption.

	Business International Survey*	Transparency International Survey**
Australia	10	8.6
Brazil	5.75	3.0
France	10	7.0
Germany	9.5	8.3
Italy	7.5	3.4
Japan	8.75	7.1
Korea (RoK)	5.75	5.0
Russia	N/A	2.6
UK	9.25	8.4
US	10	7.7

Table 6.1: Indices of corruption for selected countries in alphabetical order (Mauro, 1995; Bardham, 1997)

*This refers to an average of observations between 1980–1993 ranging from 10 (excellent) to 0 (very bad)

**An average for several studies for 1996 ranging from 10 (excellent) to 0 (very bad)

- Could the recent economic woes in Japan be the result of a shift from primary corruption to secondary (Werlin's Hypothesis) rather than simply the result of corruption per se? In other words, is there a point where the balance is tipped from an economy which is functioning despite (because of, in concert with) corruption/organized crime to one which is in danger of collapse within what appears to be at first glance the same general framework?

The answer to this could be "yes," providing the difference between "primary" and "secondary" corruption is properly established. Werlin (2000) does not draw a solid distinction between the two forms of corruption—except for some vague mechanism whereby primary corruption does not necessarily interrupt or delay development because it is subject to official

punishment, while secondary corruption can hamper the economy because the practitioners have little fear of being punished.

It would seem that this can be made to fit—if primary corruption is linked to official “one-stop” corruption and secondary to decentralized corruption where anything goes and no one really knows who to bribe to get things done. Thus, in its efforts to curb corruption, Japan has gone from primary/centralized systems to secondary/decentralized ones.

If this is true and we accept the assumptions made in Section 1.5, then it seems the study has shown (in a qualitative way) that:

- Other factors, rather than simple structural corruption, are involved in the prolonged recession.
- That among these factors must be included the involvement of organized crime (through both investment and borrowing) at the highest levels of the banking system—and the consequences of this involvement once the real estate and stock market bubbles burst.
- That though the present circumstances might be considered unique to Japan, that does not preclude other governments from getting caught up in the same or a similar predicament.

6.3 Conclusions

Because of the limitations of any examination of political corruption, bribery, and the involvement of criminal elements in

business-government-bureaucratic dealings, it is very difficult to draw a definitive conclusion as to the role the *yakuza* has played in the troubles currently being faced by the Japanese economy. By that is meant that any conclusions arrived at here would not likely stand up in a court of law as definite proof.

However, it can safely be concluded that the evidence gathered here—be it circumstantial (and in some cases denied even by those who made the original statements)—does point to a deep and dangerous involvement on the part of the *yakuza* in Japanese government and economic affairs. This involvement is not new. In fact, the evidence shows that criminal elements have been involved in Japanese economic affairs for centuries. However, the literature review on the Japanese banking system, the stock market and the real estate market (especially during the 1990s) indicates that the *yakuza* were much more heavily involved than they had been in the past.

Not only were they more heavily involved but they seemed to be involved at a much higher level. This is indicated by the huge outstanding loan debt accumulated by the banks, debts which they cannot recover because they are held either by criminal gangs or by businesses serving as fronts.

Thus, it can be said that, if the *yakuza* in the past had managed to infiltrate certain areas of the government structure, it had now made its way to the highest echelons of that structure. If in the past the *yakuza* had managed to bribe some government officials and had obtained some loans from banks, they

now were doing it at levels never seen before—and involving amounts that should have been easily noticed by either the bankers involved or those responsible for regulating bank transactions. That neither group reacted to any great extent indicates that the *yakuza* exerted a power beyond anything seen in the past. The change in the level of criminal involvement in government corruption has proved to be enough to alter the state of the Japanese economy to the point where it remains depressed to this day.

If the paper accepts the assumptions stated in Section 1.5, i.e. that corruption and organized crime have always been a part of Japanese political life, that these influences were there even when the economy was soaring, that how Japan is governed has not changed significantly following the end of the American Occupation, and that the level of corruption has not changed significantly judging from the number of indictments and trials, then the paper is able to conclude that:

- Other factors are involved in what is occurring presently within the economy, factors which helped facilitate the initial conditions for the recession (even if they did not create them) and which are making it much more difficult for Japan to escape the recession than other parts of the world;
- Among those factors was the movement and involvement of organized crime into the upper echelons of the banking system in Japan, leading to the ease with which *yakuza*

and/or *yakuza*-fronted entities received billions in loans during the real estate boom;

- Once the boom ended and the bubble collapsed, the banks were left holding billions in non-performing loans, the majority of which were due from companies with *yakuza* ties and connections;
- The nature of the Japanese banking system made it impossible for the banks to act quickly enough to (a) uncover in time the extent of the non-performing loans; and (b) take action in dealing with them until the situation had become untenable;
- The situation in Japan and the reasons behind its prolonged recession are unique to that country, even given an essentialist reading of the definition of corruption.

The results of the survey and the personal interviews indicate that a similar set of conclusions can be reached. In this case, however, the results are not as conclusive, with several of the interviewees denying one or more of the hypotheses. In this case, the paper is inclined to accept the more rigid and definitive conclusions of the literature review over the "soft" results, many of which have a modicum of self-interest connected to them.

Is corruption more extensive in Japan than in other industrial societies? There is no real proof of this. The conclusion drawn here is that it is not the fact that corruption

is more rampant in Japan but that the nature of that corruption has been altered to the point where it is no longer simply a nuisance for law enforcement but an actual detriment for the nation's economy. In other words, even if the extent of corruption were less than other countries (and that is open to debate), it is the fact that criminal elements and corruption have infiltrated the very structure of Japanese governance that makes it so dangerous. There is no doubt, for example, that the American Mafia has extensive amounts of money in banks around the world. They also receive huge loans from banks to help finance their front businesses. However, the failure of these businesses to re-pay the loans would not lead to the same economic consequences as they seem to have done in Japan. This is because of the way the Japanese government and economy are structured—and the fact that they are so intertwined, so much more than in other Western industrial countries. Another way of putting it is that Japan's vaunted experiment where the government marched in lock-step with its banking institutions and industrial advances has resulted in creating a situation where the three elements cannot disengage without causing tremendous damage on all levels.

In a sense, what is being said here is that the Japanese economy is not an example of a true free market capitalist economy. Rather it is a strongly planned economy with some of the trappings of a free market system: while individual firms have been allowed to go under (for the good of the whole), entire industries are propped up by government decree.

The analogy of gears within the transmission of a vehicle is apt. If one gear is not working properly, the car grinds to a halt, despite the fact the rest of it is in perfect working order. As well, that one not-working gear can serve to destroy many of the other gears around it, potentially stripping them and leaving them useless as well. The question to be asked: which gear in the Japanese economy did not work and served to strip the others around it? This paper contends that the gear in question was the *yakuza*. Criminal elements managed to strip away the banking sector, the real estate sector, and the stock market. And no one dared question those criminal elements because they were either themselves also implicated or because they felt that attempting to do so would have called down the wrath of the *yakuza* upon them. At that point, the Japanese economy started to collapse because the government had to infuse billions into these industries as a way to prop them up. Instead, these non-working gears managed to strip the main gear itself—that of the Japanese economy.

Could this have happened in other Western industrial societies? Yes, but not quite as easily or with the ability to cause as much damage. The gear system for those economies is not as intermeshed as it is in Japan among the public and private sector. An attempt by criminal elements may have damaged a portion of the economy. But those defective gears would have quickly been discarded and replaced. In fact, we have seen an example of just that with the Enron and World Com scandals in the

United States. Millions of dollars were lost; thousands lost their savings. But the economy did not collapse. To use another car analogy, the economy was able to shift gears in a relatively smooth way.

6.4 Implications of the Study

The study has several implications for the present-day situation in which the Japanese economy finds itself: on the eradication of corruption/organized crime; on the reform of the banking system; on improving the rule of law; on raising public awareness.

As was shown in the previous section, the notion that all corruption and organized-crime involvement in a society can be eradicated amounts to wishful thinking. There are certain areas that will always remain under the shadows of organized crime and officials who feel they can break or at least bend the law.

Instead, efforts might be better spent concentrating on extracting the yakuza from the policy-making areas of the Japanese banking system. This would involve breaking up the overly-cozy relationship between bankers, bureaucrats and bank supervisors. Once those links are broken, it would be harder for organized crime to create the bowling ball effect on knocking one over and consequently knocking everyone over.

Another way to ease the pressure on the economy is to give business a rule of law that can be pursued in court. Because so many of the business transactions are done with a handshake and a

lack of a paper trail, this makes it easier for tendering systems and bids to be fixed, for example, and for the yakuza to muscle in. The implication seems to be that, if the businesspeople, bureaucrats and other government officials had fewer secrets and things were more in the open, the yakuza would not be able to dig their claws in as easily. The same is true if the justice system were more transparent.

Finally, if studies such as these do nothing more than raise people's awareness of these issues, something will have been gained. In this case, not only are the questions asked and people made aware of them, but there is also a second level of awareness regarding the interviewees. Under the cloak of anonymity, these interviewees provide informed opinion of a kind that is usually very difficult to obtain otherwise.

6.5 Recommendations for Further Studies

This study into the role of corruption and organized crime in the collapse of the Japanese economy is limited in several ways, as pointed out in a previous section. This is to be seen as a preliminary study on a question which needs a great deal of work before any full-blown hypothesis can be created. Thus, further study and research—both qualitative and quantitative—in this area is definitely needed. Among some of the recommendations for further study are:

- A random-based expansion of the Likert scale sample to include a larger proportion of the population. The

current sample from Japan was taken within the Tokyo area. An expansion could be done both inside the city and in other administrative parts of Japan. As well, a gender breakdown could be set up to determine if this variable shows significant result changes. This type of random-based expansion would go a long way to being able to more fully test the universality of the present results and to allow for a more meaningful extrapolation of those results. As well, a larger sample would allow a quantitative statistical breakdown.

- A similar Likert questionnaire conducted in North America with a large enough sample so that a significant cross-cultural referential point can be achieved. This would be important in efforts to determine just how culturally-bound (or not) corruption and organized crime definitions might be. As well, the Likert scale statements could be altered to include references to American organized crime and government corruption.
- An expansion of the anonymous interviews for greater in-depth qualitative results. As well, this would satisfy the qualitative research mantra to constantly compare previous observations and results with new ones, and to increase the confidence of the researcher that the analysis done is the best that can be done at that moment.

- A further study using similar interviews in the U.S., thus providing further ability to compare for similarities and differences in the way businesspeople, politicians, bureaucrats, academics, and even members of organized crime respond to situations in the U.S. versus Japan. This would be a good way to test the universality or uniqueness of ideas having to do with corruption and organized crime.
- A study of expected behavior versus actual behavior on the part of government officials and banking officials in Japan.
- A study of the prevalence of gift-giving and influence-peddling at the business and government level in today's Japan.

6.6 Concluding Remarks

As has already been indicated, this study is very much a preliminary one and leaves as many questions unanswered as it answers. At the same time, it sets up a solid basis for (a) laying out the parameters and boundaries of the given field of study; and (b) further studies. It also seems to agree with most of the major studies in the literature with reference to corruption and organized crime.

The study has left little doubt that there is some sort of organized crime involvement in the collapse of the Japanese economy at the beginning of the 1990s. The extent of that

involvement is difficult to ascertain for obvious reasons. However, the survey and interview results indicate that most people are aware that something is definitely wrong. Also, no one seems to be denying the multi-hundred billion dollar figures being tossed about when it comes to the amount of bad-loan money banks have had to write off because they have been unable to collect on such debts.

A little more murky is the question as to what can be done to (a) get Japan out of its present-day doldrums; and (b) ensure it does not happen again in the future. There was no definite opinion on this among the survey respondents and interviewees. The researcher's personal opinion on this subject (resulting from both the survey instrument and the literature review) is that a country cannot insure itself against this sort of thing—at least not indefinitely.

In fact, it is the opinion of this researcher that organized crime and corruption to some extent are part of every government, or part of the political cost of doing business, in other words. The costs of trying to eradicate such things completely are prohibitive— and there is no guarantee that the desired results will follow. As pointed out by Pascha (1999):

We have so far assumed that getting rid of an incident of corruption does indeed raise social benefits. Some economists have pointed out, however, that corruption may actually have some positive effects, namely when regulation in the economy is so rigid that economic dynamism is severely throttled. Corruption and bribery may then serve as "grease" for the economy.

There is also the opposite possibility to consider--the notion that capitalist free market societies are actually outgrowths of outlaw social systems and therefore corruption and organized crime must be a part of the system if it is to continue to work as advertised. This is essentially what Holmstrom & Smith (2000) argue, following Marx and his idea of "primitive acquisition," when they claim that the type of "gangster capitalism and wholesale corruption in the former Soviet bloc and China should have been entirely predictable to anyone familiar with the historical origins of capitalism in Europe, the United States, and elsewhere" (p1).

This researcher is not of this opinion. But perhaps what these researchers imply is that new capitalist economies need some sort of balance if they are to work properly. Free market systems need some regulation and rules, so as not to become jungle-like and unstable; they need structuring so they do not become free-for-alls rather than simply free. But they cannot be over-regulated or they will become moribund. Finding that balance is the key--and perhaps an issue that is more important than campaigns to eradicate the *yakuza*. In fact, it may be that the *yakuza* will simply vanish if there is no more profit in what they do (although there is a whole other side to the criminal enterprise--and that is satisfying the vices of people).

In conclusion, the researcher trusts that this study has made some modest contribution to the ongoing discussion with relation to Japan's economic woes and the causes for those

troubles. The findings, limited though they are, may be of some value in the debate over the merits of the bailout of the major Japanese banks.

Appendix 1: Likert-Type Scale

Statements	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Corruption is the same no matter where it takes place in the world					
Corruption is always wrong-even if it helps improve the economy in some cases					
Public or government officials who accept gifts are by definition corrupt					
There is no difference between an official fixing a parking ticket for a fee and skimming money from a building contract					
Government officials need to be held to higher standards than ordinary citizens					
Countries with high levels of organized crime also have high levels of corruption					
Organized crime is never good for the ordinary citizen					
In places where governments are ineffective or themselves corrupt, organized crime can help make sure things run smoothly					
Where the rule of law cannot be properly enforced, citizens must turn to organized crime power brokers					
Corruption of some type has always been a part of Japan's government structure					
Corruption is at a higher level today in Japan than in the past					
Corruption is a major reason for the prolonged economic recession in Japan					
Japanese organized crime has infiltrated the highest levels of political life					
Japanese organized crime was closely involved with the start of the recession					
Money lent to organized crime and/or front businesses has helped to prolong the recession					
The system of moving bureaucrats into business/consultants positions following retirement is a good one					
Government banking overseers and bankers have a sufficiently arm's-length relationship within the Japanese system					
The moral idea of "losing face" is sufficient to ensure that bureaucrats and politicians in Japan do not become corrupt					
Corruption and organized crime involvement are a problem only the Japanese government can solve					
Corruption and organized crime concern the entire population of Japan					

Appendix 1A: Likert-Type Scale (Japanese)

説	強感する	同意する	不定	同意しない	全否定
腐敗は何所にも在る。					
たとえ経済を少し良くしても腐敗は良くない。					
公務員や政府の役人が贈り物を受け入れることは定義的には腐敗である。					
駐車違反で賄賂をつかって罰を逃れるのと工事の受注に上乘せするのは同じである。					
政府の役人は一般の人より行動に注意深くあるべきである。					
暴力団などの組織が多い国は腐敗も多い。					
暴力団は一般市民にとって決して良くない。					
無力で腐敗した政府にとって暴力団は事態を円滑にするのに役立つ。					
法と言う規則が守られない場合には一般市民は暴力団とつながりのある黒幕に頼るしかない。					
日本の政府構造には何時も腐敗が有る					
前よりも現在日本では腐敗が高い。					
長引く不景気の重要な理由は腐敗である。					
日本の暴力団は政治への高機能な影響があります。					
バブル経済の始まりは眼と日本の暴力団関係が強い。					
暴力団と関係社借れたお金が不景気を伸ばした。					
官僚の天下りシステムが良い。					
政府の銀行検査官と銀行との馴れ合いがない。					
日本の政治家と官僚はメンツを重んじるが由えに不名誉となる様な事はしない。					
構造汚職と暴力団の問題が日本政府しか片付けられない。					
腐敗と暴力団は全国民の問題である。					

Appendix 2: Sample Interview Questions

1. There are some who feel that corruption is relative to the country or context in which it takes place. In other words, what might be considered corrupt in New York might not be in New Delhi. Do you believe corruption is relative (perhaps even good under some circumstances) or is it an absolute evil?
2. What would you say if someone showed you evidence that corruption actually helped a particular country improve its economic performance?
3. What about corruption in countries where the government is inept or a dictatorship? For example, what is your opinion of a bureaucrat or police officer in a dictatorship who accepts a bribe from a person so that the person will not be tortured?
4. Where do you think one needs to draw the line between gift-giving and acceptance, and corruption? Is there such a line or must all such actions be labeled as corrupt?
5. What do you see as the idea or notion of public trust on the part of government officials? In other words, should a government official who accepts bribes be punished more strongly than an ordinary citizen who accepts favors? If so, what is the difference between them?
6. Do you see a necessary connection between corruption and organized crime or can one exist without the other? For example, can you have corruption in government without

- organized crime? What about organized crime without government corruption?
7. Are there times when organized crime can be of benefit to the ordinary citizen or is that a complete impossibility? For example, what is your opinion of the Robin Hood notion that some organized crime members rob from the rich to give to the poor—or some of their takings in any case?
 8. What is your opinion of situations where the government is ineffective or itself corrupt? Is it possible for organized crime to help make things run more smoothly? For example, where citizens cannot take advantage of the rule of law because of bureaucratic red tape, will they turn to organized crime for help?
 9. Do you feel that corruption within the Japanese political structure is a new phenomenon or has it always existed? And why?
 10. Are we seeing a higher level of corruption in Japan in this day and age? If so, what are the signs?
 11. Do you feel that corruption played a major part in the prolonged recession in which Japan sees itself?
 12. Accepting the fact that organized crime has more and more infiltrated the highest levels of Japanese political life, what do you think are the reasons behind it?
 13. What do you feel is the connection between the start of Japan's recession in the late 1980s and organized crime's move into "legitimate" business fronts for their other rackets?

14. What do you feel is the connection between money lent to organized crime and/or front businesses during boom times and the prolonging of the recession?
15. What do you feel is the connection between banks unable to collect on their loans and organized crime?
16. What do you think of the cozy relationship between bureaucrats, banking inspectors and overseers, and the banks?
17. What, if anything, do you feel has gone wrong with Japan's traditional notion of "losing face" as a way to prevent the spread of corruption?
18. What do you see as the solutions to Japan's moral and economic crisis?
19. There are some who feel that corruption is relative to the country or context in which it takes place. In other words, what might be considered corrupt in New York might not be in New Delhi. Do you believe corruption is relative (perhaps even good under some circumstances) or is it an absolute evil?
20. What would you say if someone showed you evidence that corruption actually helped a particular country improve its economic performance?
21. What about corruption in countries where the government is inept or a dictatorship? For example, what is your opinion of a bureaucrat or police officer in a dictatorship who accepts a bribe from a person so that the person will not be tortured?

22. Where do you think one needs to draw the line between gift-giving and acceptance, and corruption? Is there such a line or must all such actions be labeled as corrupt?
23. What do you see as the idea or notion of public trust on the part of government officials? In other words, should a government official who accepts bribes be punished more strongly than an ordinary citizen who accepts favors? If so, what is the difference between them?
24. Do you see a necessary connection between corruption and organized crime or can one exist without the other? For example, can you have corruption in government without organized crime? What about organized crime without government corruption?
25. Are there times when organized crime can be of benefit to the ordinary citizen or is that a complete impossibility? For example, what is your opinion of the Robin Hood notion that some organized crime members rob from the rich to give to the poor—or some of their takings in any case?
26. What is your opinion of situations where the government is ineffective or itself corrupt? Is it possible for organized crime to help make things run more smoothly? For example, where citizens cannot take advantage of the rule of law because of bureaucratic red tape, will they turn to organized crime for help?

27. Do you feel that corruption within the Japanese political structure is a new phenomenon or has it always existed? And why?
28. Are we seeing a higher level of corruption in Japan in this day and age? If so, what are the signs?
29. Do you feel that corruption played a major part in the prolonged recession in which Japan sees itself?
30. Accepting the fact that organized crime has more and more infiltrated the highest levels of Japanese political life, what do you think are the reasons behind it?
31. What do you feel is the connection between the start of Japan's recession in the late 1980s and organized crime's move into "legitimate" business fronts for their other rackets?
32. What do you feel is the connection between money lent to organized crime and/or front businesses during boom times and the prolonging of the recession?
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35. What, if anything, do you feel has gone wrong with Japan's traditional notion of "losing face" as a way to prevent the spread of corruption?
36. What do you see as the solutions to Japan's moral and economic crisis?

37. There are some who feel that corruption is relative to the country or context in which it takes place. In other words, what might be considered corrupt in New York might not be in New Delhi. Do you believe corruption is relative (perhaps even good under some circumstances) or is it an absolute evil?
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42. Do you see a necessary connection between corruption and organized crime or can one exist without the other? For example, can you have corruption in government without organized crime? What about organized crime without government corruption?

43. Are there times when organized crime can be of benefit to the ordinary citizen or is that a complete impossibility? For example, what is your opinion of the Robin Hood notion that some organized crime members rob from the rich to give to the poor—or some of their takings in any case?
44. What is your opinion of situations where the government is ineffective or itself corrupt? Is it possible for organized crime to help make things run more smoothly? For example, where citizens cannot take advantage of the rule of law because of bureaucratic red tape, will they turn to organized crime for help?
45. Do you feel that corruption within the Japanese political structure is a new phenomenon or has it always existed? And why?
46. Are we seeing a higher level of corruption in Japan in this day and age? If so, what are the signs?
47. Do you feel that corruption played a major part in the prolonged recession in which Japan sees itself?
48. Accepting the fact that organized crime has more and more infiltrated the highest levels of Japanese political life, what do you think are the reasons behind it?
49. What do you feel is the connection between the start of Japan's recession in the late 1980s and organized crime's move into "legitimate" business fronts for their other rackets?

50. What do you feel is the connection between money lent to organized crime and/or front businesses during boom times and the prolonging of the recession?
51. What do you feel is the connection between banks unable to collect on their loans and organized crime?
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62. What is your opinion of situations where the government is ineffective or itself corrupt? Is it possible for organized crime to help make things run more smoothly? For example, where citizens cannot take advantage of the rule of law because of bureaucratic red tape, will they turn to organized crime for help?

63. Do you feel that corruption within the Japanese political structure is a new phenomenon or has it always existed? And why?
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68. What do you feel is the connection between money lent to organized crime and/or front businesses during boom times and the prolonging of the recession?
69. What do you feel is the connection between banks unable to collect on their loans and organized crime?
70. What do you think of the cozy relationship between bureaucrats, banking inspectors and overseers, and the banks?
71. What, if anything, do you feel has gone wrong with Japan's traditional notion of "losing face" as a way to prevent the spread of corruption?
72. What do you see as the solutions to Japan's moral and economic crisis?

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VITA

Eric Thomas Messersmith was born in Allentown, Pennsylvania, on January 10th, 1947. Upon receiving his undergraduate degree at the University of Miami in 1970, he left on a 10 year sojourn to Kyoto, Japan, where he spent his time teaching in a college and furthering his study of Japanese culture, culminating in the award of “Chamei” from the Grand Tea Master of Urasenke and the 6th degree black belt from the Head Priest of the Shorinji Temple.

Upon his return to Miami, he entered the real estate and construction industry full-time while teaching at The Japan Cultural Foundation, which he founded with his wife, Yoko.

He made the decision to return to school and was awarded the M.B.A. by the University of Miami, Graduate School of Business in 1998. Continuing this momentum, in 1999 he enrolled in the School of International Studies in order to obtain the Ph.D. with the intention of returning to his first career, teaching.

Permanent address: 11440 SW 77 Ave. Miami, FL 33156

email address: emessersmith@hotmail.com