

capital a competitive advantage, we must accept that long term planning is eventually more profitable than summing up quarterly or annual profits that are maximized continuously. There is some evidence that indicates *keiretsu* firms are in fact less profitable than non-*keiretsu* firms in Japan.⁷⁴

- Extensive cross shareholding may limit the speed at which Japanese firms can adapt to changing market conditions, since there are many stakeholders that can potentially influence corporate decision making. Shifting consumer tastes, for example, might not be satisfied as quickly in Japan as in other countries. To the extent that foreign firms are accustomed to acting more quickly than Japanese firms, foreigners have an advantage.⁷⁵
- The argument that the close relationship between financial institutions and non-financial firms has resulted in Japanese firms having access to cheaper capital than those in North America is yet to be settled. If Japanese firms did have an advantage at one time, the internationalization of capital markets and liberalization within Japanese markets have reduced that advantage.
- While the average cost of capital might not be much different in Japan and North America, some analysts suggest that *keiretsu* firms have a lower cost of capital due to unofficial guarantees of financial stability provided by member banks. The guarantees can influence the purchasing patterns of member firms, and effectively exclude non-member, and foreign, firms.⁷⁶

In summary, the extensive linkages between financial institutions and non-financial firms do not explicitly exclude foreign firms from specific Japanese markets. Further, it is not even clear whether the two most often cited advantages of the linkages -- access to cheaper capital and the ability to plan and invest for the long term -- are in fact true in the first case and an advantage in the second case, and thus

⁷⁴ See M. Anchordoguy, *op. cit.*, p. 59; and D. Beason, "Are *Keiretsu* Economically Relevant?", in *Business and the Contemporary World*, Vol. IV, No. 2, Bentley College, Waltham, MA, Winter 1992, p. 36.

⁷⁵ This is consistent with the view that the Japanese economy is producer-oriented and the North American economies are consumer-oriented. See U.S. Congress, Office of Technology Assessments, *op. cit.*, pp. 139-40.

⁷⁶ See U.S. Department of the Treasury, *National Treatment Study*, Washington, D.C., 1990, p. 220.