between equity held by only a few financial institutions and equity held by a large number of financial institutions.

In addition to comparing the percentage of equity held by various sectors in Japan and the U.S., Prowse also compared ownership concentration in the two countries. He found that, for an average firm, the top five shareholders in Japan held 33.1% of outstanding shares, while the top five shareholders in the U.S. held an average of 25.4%. The median levels of ownership concentration were 29.7% in Japan and 20.9% in the U.S..

Financial institutions ranking among the top five Japanese shareholders held 25% of an average firm's total shares. They are by far the most important of the large shareholders, with top five non-financial corporations holding 4.9%, individuals 3% and "others" 0.2% of total shares. The remaining shares are typically widely held.

The Prowse results indicate that ownership concentration is somewhat higher in Japan than in the U.S.. However, financial institutions in Japan are collectively larger and, judging by their level of ownership concentration, much more powerful shareholders than is the case in the U.S..

3. Formal Governance of Relationships

Modern relationships between firms in Japan are easily traced to the family-based holding companies, known as *zaibatsu*, that existed prior to and during the Second World War.[15] It has been alleged that these organizations had important roles in leading Japan into the War.[16] During the post-War Occupation, economic reform

[15] For historical discussions of the economic implications of Japan's social framework, and the importance of loyalty and personal obligation, see R. L. Carson, *Comparative Economic Systems*, M. E. Sharpe Inc., New York, 1990, pp. 447-52; and A. Hazera and H. Hayashida, "The Influence of Japanese and American Stockholders on Corporate Planning: A Cross-Cultural Examination", in *Business and The Contemporary World*, Vol. IV, No. 1, Bentley College, Waltham, MA, Autumn 1991, pp. 102-11. For a discussion of the role of *zaibatsu* in the economic development of Japan, see P. Duus, *The Cambridge History of Japan: Volume 6: The Twentieth Century*, Cambridge University Press, Cambridge, U.K., 1988, pp. 448-9.

[16] See E. Razin, "Are the *Keiretsu* Anticompetitive? Look at the Law", in *North Carolina Journal of International Law and Regulation*, Vol. 18, No. 2, University of North Carolina School of Law, Chapel Hill, N.C., Winter, 1993, p. 369.