management has been tried, as have Japan-U.S. discussions on structural issues, sector-specific initiatives and quantitative indicators. Bergsten and Noland suggest a two-track structural and sectoral approach, with joint or parallel enforcement of national antitrust statutes concerning restrictive business practices, including *keiretsu*.[111] Others suggest that there is likely little to be gained from negotiating with Japan, and the U.S. should act unilaterally to restrict Japanese access to U.S. markets.[112] That way, the U.S. would have some leverage in calling for change in the functioning of the Japanese market.

6.1.2 Cross Shareholding Lessons

> *"Ironically, the achilles heel of the Japanese financial system has been the extensive cross-shareholding so often held up as the foundation of Japan's competitive edge."*[113]

The key to extracting appropriate lessons from a foreign economic system is to consider its entire experience, good and bad. When observing the Japanese experience, it is easy to be overwhelmed by impressive macroeconomic statistics. The mid to late 1980s was a period marked by strong economic growth, very little change in unit labour costs, low inflation, low unemployment, fiscal surpluses and low interest rates.[114] One must be careful, however, not to confuse correlation -- between a well performing economy and an economic system that allows extensive cross shareholding -- with causation. There are a number of problems with cross shareholding, particularly as it affects commercial banks. Some of the problems have only come to the fore with the end, or bursting, of the bubble economy.

One of the main concerns with respect to commercial banks in Japan holding equity in non-financial corporations is the variation those equity holdings can cause

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[111] See C.F. Bergsten and M. Noland, *op. cit.*, pp. 210-3.

[112] See, for example, D. Salvatore, "How to Solve the U.S.-Japan Trade Problem", in *Challenge*, M.E. Sharpe Inc., New York, NY, January-February 1991, pp. 40-6.

[113] See R.W. Wright, *op. cit.*, p. 16.

[114] See OECD, *Economic Outlook* 54, Paris, December 1993, various tables.