

technology and the eventual users and adopters can be important, but is not essential. Multinational businesses also play a vital role in the spillover process.⁹⁶ Consequently, trade openness, particularly *import* openness, is a major contributor to the growth of country productivity.

Share-ownership in Japan is characterized by a larger participation by banks and other financial institutions than in North America. However, these shareholdings have not resulted in the control of industrial firms by banks. There is a close bank—customer relationship within and outside the *keiretsu* system. Through this relationship with the banks, Japanese managers can tap into "patient" long term capital. Consequently, Japanese companies are not as constrained by a bottom line vision that focuses excessively on boosting the next quarterly earnings. This Paper has argued that the dense network of companies in Japan has ingredients for bringing forth a competitive market outcome, provided the environment in and outside Japan is so structured. In modernizing our competition policy and financial institutions legislation, it is important to take into account the possible benefits of the Japanese network system, including the issue of deeper cross-shareholding.

Another well-known aspect of the Japanese experience has been its macroeconomic stability. Japan has enjoyed a low inflation rate, a low unemployment rate even during periods of recession, a high savings rate, low public debt relative to its GDP and low interest rates. Japan has managed its fiscal and monetary policies well, underpinning high economic growth. Getting macro- and micro-economic fundamentals right is as essential for other countries as it has been for Japan.

this age of electronic mail and fax machines, it is not evident that geography is vital for the transmission of new technology among industries, or that spillovers even depend on *domestic* manufacture. It seems possible for them to occur even if one country manufactures inputs (such as microchips in Japan) and another the corresponding outputs (such as computers or software in Canada).

⁹⁶ Magnus Blomstrom and Edward N. Wolff, "Multinational Corporations and Productivity Convergence in Mexico", NBER Working Paper no. 3141, October 1989.