

Japanese Economic Studies in Foreign Countries in the Postwar Period

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Introduction

It is now more than thirty years since the end of the Pacific War. Over that period Japan has been a major object of study by social scientists outside Japan, particularly in the field of economics. This has been especially true in the United States and reflects the fact that Japan is the Asian country with which the United States has had the closest and most sustained contact since the war. Over that period foreign studies of the Japanese economy have increased in volume at an accelerating rate, especially since 1963, the year in which Japan's rapid postwar economic growth became an established fact. Not only has this work increased in volume; it has also increased in overall quality and sophistication, even though the field attracted some of the best minds from the start.

In a brief review such as this it has not been possible to cover all of the important works and the omission of a particular work should not be taken to indicate that it is necessarily inferior to works mentioned. Moreover the competence of this reviewer does not extend equally to all parts of the field and comments on some areas are necessarily less well-informed than on others.

The literature on the Japanese economy in English, despite notable exceptions, has been overwhelmingly the work of American scholars and reflects changes in the U. S. -Japanese relationship and the changing concerns of American intellectuals and society at large. From this point of view the literature may be divided into four periods. The first period covers the immediate postwar period from 1945 to 1949. During this period the literature was concerned primarily with questions of economic democratization. In the second period from 1950 to 1959 interest shifted to problems of stabilization and recovery. In the third period from 1960 to 1969 research centred on quantitative analysis of Japan's economic growth and on the process of "modernization" by which she achieved a high degree of development within a basically free-enterprise capitalist framework and became a leading member of the "Free World." Finally, in the 1970s, as Japan began to be seen as a competitor and to some extent as a destabilizing rather than as stabilizing force in the world economy, attention returned to assessment of the Japanese growth experience in terms of social consequences, income distribution and problems of industrial structure.

I. 1945-1949: Reform Versus Recovery

As the first postwar directive to SCAP indicated, the American Occupation began with a determination to democratize the Japanese economy and to prevent Japan from again becoming a threat to world peace. Studies of the Japanese economy outside of SCAP itself were relatively few but they reflected these interests. Studies of Japan's war economy (Bisson, 1945; Cohen, 1949) described industrial mobilization and identified its strengths

and weaknesses. American observers were surprised at the apparently rather casual approach to economic mobilization and at the degree to which big business, primarily zaibatsu interests, exercised powers of economic control to their own advantage.

In the early days of the Occupation, questions of economic democracy and removal of market imperfections were a major concern. Bisson (March 1945; December 1945) described how the zaibatsu concerns increased their share of industrial capital and their control of production through their role in the war organization of industry. These concerns were able to maintain their position in spite of the Tojo Cabinet's promulgation of special government powers and score a major victory in the struggle over the Major Industries Control Ordinance of September 1941. Having won control of the Industrial Control Associations and of the Munitions Ministry itself, the zaibatsu won another major victory over the implementation of the Munitions Companies Act and even when these industries were temporarily "nationalized" in 1945, the zaibatsu-dominated Control Associations continued to make the important decisions. Bisson concluded that concentration of economic control increased greatly through the war.

The democratization of the labor market was another major interest in this period. Farley (June 1947) described the Occupation-sponsored measures to create a healthy trade union movement on the model of the American system. Assuming initially that the working classes were the strongest base for democracy, SCAP moved to create free trade unions exerting market strength through collective bargaining and promoted legislation to provide minimum standards of wages and working conditions. Although the Trade Union Law of December 1945 was modelled on the U. S. Wagner Act of ten years earlier, it also had much in common with the abortive Japanese Trade Union Bill of 1931 in that it provided for industrial unions and actually outlawed company unions, providing for powers to outlaw unions that did not measure up to its standards. As early as June 1947, Farley doubted whether imposition of a U. S. -style labor movement would prove appropriate in the Japanese context and two years later Moran (October 1949) described how the postwar radical labor movement was smashed by a combination of employers and government when Occupation policy towards democratization of labor changed with the emergence of the Cold War.

By this time the emphasis of Occupation policies was shifting from democratization to recovery and some American observers were becoming impatient with what they regarded as Japan's poor performance in this area. Bisson (December 1947) reflected American pressure for Japan to take more positive action to support herself rather than continuing to rely on the American taxpayer. In a very critical article he blamed poor management by largely the same groups of industrialists and financiers who had profited by wartime collusion with the military and who in the postwar period were in league with the conservative bureaucracy and right-wing labor bosses to protect their own interests at the expense of the Japanese public and the United States. A little later a more sober account of the change in United States policy (Cohen, June 1948) traced the change of emphasis from reform to recovery through three reports prepared for the United States Government in the first half of 1948.

Fiscal responsibility and monetary stability had tended not to be of the highest priority in the first year of the Occupation, but with increased emphasis on economic recovery they assumed great importance and continued to receive attention in the literature into the 1950s. Shavell (April 1948) was critical of what he considered half-hearted tax reform

measures in the three years after the war and Cohen (December 1949) welcomed the recommendations of the Shoup Mission.

By the end of the 1940s the American attempt to conduct a great social experiment in Japan had been abandoned and the literature also turned away from this theme.

In the field of economic history the view of Japan's modern economic growth as a model of success which could provide lessons for developing countries had not yet emerged. Two major works appeared in this period. G. C. Allen's *Short Economic History of Modern Japan* (Allen, 1946), although based largely on sources in European languages and limited by the nature of statistical materials then available, was the first attempt outside Japan to present a brief but comprehensive account of Japan's economic development from the Restoration to the eve of the Pacific War. Allen's account was an objective one and owed little to the Japanese literature on the nature of Japanese capitalism. He seems to have believed, however, that Japan's development and the economic structure that resulted were different from the industrialized societies of Europe and America in important respects such as the social and political heritage, the role of the state and the philosophical basis of capitalism. The other significant work was the first of T. C. Smith's outstanding contributions to the field (Smith, June 1948). This progress report on his research into the introduction of Western industry during the last years of the shogunate—later published as a monograph (Smith, 1955)—set a new standard of independent research based on primary sources that was to characterize all his work. Although it would be hard to show a straight-line development from the industrial experiments of that period to the later growth of the modern industrial sector, Smith's work helped to show that the break between pre- and post-Restoration Japan was less complete than had been thought.

II. 1950–1959: Stabilization and Reconstruction

Fiscal and balance of payments problems dominated writing on Japan's current economic situation in the early 1950s. The report of the Shoup Mission was reviewed by several overseas economists (including Sundelson, June 1950; Hicks, 1951). The Mission's recommendations for more direct taxation including a progressive income tax, inclusion of capital gains and losses, corporate income tax, taxes on wealth and local taxes were welcomed and their implementation was considered gratifying. At about the same time Bronfenbrenner (August 1950) wrote a penetrating analysis of four positions then being advanced on Japanese finance variously advocating stability first, business-led recovery and consumption-led recovery.

With the Korean War and the United States firmly committed to defending the world from the "Communist Menace," attention turned both to bolstering Japan as the bastion of the Free World in the Far East and to pointing up the lessons of Japan's experience as a model for development within the free enterprise Free World framework.

Although Bisson (1954; May 1953) continued to regret what he regarded as the failure of economic democratization, other writers (Cohen, November 1952; Irvine, December 1952) stressed the need to help Japan solve her balance of trade and payments problems if she were to become a stabilizing factor in the Far East. "If world Communism is to be confronted by more effective weapons than mere denunciation," Cohen wrote, "the West must make room for Japanese trade expansion." The West, dominated by the United States, did so in generous

measure. Ironically it was this encouragement to export that helped to produce the export-oriented industrial development that ultimately contributed to Japan's chronic balance of trade surplus that is currently embarrassing the United States and the world economy in general. To that extent the current problems could be regarded as a delayed cost of the Cold War.

During the 1950s Japan's economic progress and her firm adherence to the Free World prompted American scholars to regard the Japanese experience as an attractive model to be recommended to developing countries. Although both Japan and the developing countries of Southeast Asia started from a small-scale Asian agricultural base, the conditions in which Japan developed and those obtaining in Southeast Asia in the 1950s differed in many important respects. Nevertheless the fact that Japan managed to achieve modern economic growth in what was seen as a free-market capitalist framework and successfully avoided economic, political and ideological domination from abroad made her a particularly attractive model in the context of East-West competition that dominated the United States world view at the time. This approach was also attractive to Japanese, who were only too ready to claim special experience and expertise in the supply of capital goods to developing countries.

One of the first discussions of this kind (Reubens, April 1950), while noting Japan's success in accumulating domestic capital, had pointed out that her high propensity to save depended not only on cultural factors but also on low wages, high taxes and unequal income distribution that were unlikely to appeal to developing countries under a democratic regime. He had also stressed that the Japanese process had not produced a society similar to that of the United States. "Westernization did not extend, however, to the norms of political democracy, labor organization, the worth of the individual and the maximum immediate improvement of material welfare."

Such shortcomings were, however, progressively overlooked as the decade wore on. Johnston (December 1951) singled out the outstanding performance of Japanese agriculture which he saw as playing a key role in her economic growth. In contrast to the Soviet Union, "Gains in agricultural productivity were obtained with small capital outlay, with minimum social dislocation, and through methods which are applicable to existing small farm units."

The assumption that social dislocation was something to be avoided *per se* might not have come so naturally to tenant cultivators either in Meiji Japan or in Southeast Asia of the 1950s. Another writer claimed (Kramer, November 1953) that underdeveloped countries were facing a threat of communist aggression analagous to the threat posed by Perry to Japan. Impressed by the way in which Meiji landlords had been converted into industrial capitalists, Kramer suggested that awareness of the ever-present danger of communism should give underdeveloped countries the incentive to follow the Japanese example.

By the end of the 1950s the field was notably more professional and apparently more objective and was strengthened by a number of outstanding scholars turning their attention to Japan. The two yokozunas Rosovsky and Patrick, for instance, began their work on Japan at this time and published the first results (Patrick, May 1959; Rosovsky, September 1959) of work that later appeared in book form. Ranis (September 1957; October 1958) applied analytical tools to the study of the capital-saving nature of Japanese growth. Despite the excellence of this work, it is hard to escape the impression that it tended to underestimate somewhat the restrictions on free market choice—or to attribute them to cultural factors

rather than to the impact of the political system—and to neglect the social costs involved.

Labor relations were treated from rather different standpoints in two studies (Abegglen, 1958; Levine, 1958) that opened a field that has flourished ever since. Abegglen began a debate on the relative importance of “cultural” as against market forces as explanations of Japan’s employment system and Levine stimulated a number of young scholars who have made great contributions in this field.

Economic history in the 1950s was dominated by Lockwood’s major work on the economic development of Japan from the Meiji Restoration to 1938 (Lockwood, 1954). This was the first attempt to elucidate the Japanese growth process as a whole using the tools of analysis that were being developed in the postwar period. After a brief discussion of the history of the period and a survey of the scale of economic growth, Lockwood analysed the roles of technology, capital, foreign trade, changes in the structure of demand and the way in which the structure of production responded. The book ends with a discussion of the role of the state in creating the framework for industrialization and in influencing its form and direction. He particularly stressed the role of native industry in the earlier stages of development. Lockwood saw Japan’s development as the triumph of capitalism but was throughout conscious of the human and social costs and kept an open mind on the extent to which capitalist development was accompanied by a movement towards political democracy. While fully recognizing the effectiveness of government policies to promote industry and foreign trade, he believed that the rewards given to large-scale modern business may have been excessive and were certainly continued longer than necessary. As a corollary he believed that the general living standard could well have been allowed to rise at a rather earlier stage without reducing the rate of economic growth. Despite the crucial role of the state at critical points, Lockwood attributed Japan’s success basically to the efforts of large numbers of small businessmen and ordinary workers in the free-market sector—efforts which in his opinion have not been rewarded as fully as they might have been.

The role of agriculture in Japan’s economic growth was taken up as a special topic both in economic history and in the study of modern economic growth. T. C. Smith in particular showed how the organization of farming changed from a communal to a family basis and how the nature of farm labor changed. These changes and the growth of commercial agriculture had important consequences for the performance of the agricultural sector in the Meiji period and later (Smith, 1959). The role of landlords was a topic of particular interest (Dore, May 1959; Smith, June 1956). Since Japanese landlords had been eliminated as reactionary elements in a postwar land reform that had been widely hailed as a great success, it is not immediately obvious why their role should have been selected for reexamination. Perhaps it had something to do with the serious dislocation that resulted from the elimination of the landlord class in China and the practical unlikelihood of land reform in Southeast Asia under existing political systems.

The increasing professionalism of the field over the decade is striking and owes much both to those who financially and in other ways encouraged these studies in the United States and to the quality of Japanese scholars who cooperated so generously.

III. 1960–1969: Growth and Modernization

This decade began with the first meeting of the Conference on Modern Japan at which

an attempt was made to reach some agreement, especially between American and Japanese scholars, on a conceptual framework for the study of Japan's industrialization and political and social change since the Meiji Restoration. In retrospect the degree of agreement reached was minimal. If some American scholars saw the focus of their research as the study of the process by which Japan became industrially strong and a committed member of the Free World, the conference actually blurred this focus rather than sharpened it. The conference did, however, raise a number of important issues such as the interrelationships between industrialization, westernization, capitalism, democracy and "modernization."

The 1963 meeting of the Conference on Modern Japan took up the economic aspects of Japan's modern development under the title *The State and Economic Enterprise in Japan* (Lockwood, ed., 1965). Although the LTES series was still in preparation at that time, Ohkawa and Rosovsky reported on their analysis of Japan's growth process from a national income aggregate viewpoint (Ohkawa and Rosovsky, 1965). In retrospect it seems likely that the LTES estimating procedures incorporated a number of the assumptions that were made in that report. In fact the work of the Hitotsubashi group in preparing the LTES series was closely related to the work of Kuznets, Rosovsky and others in the United States. Rosovsky's estimates of capital formation in Japan were a pioneering work in this field and along with his extremely fruitful partnership with Ohkawa (Ohkawa and Rosovsky, May 1963; 1973 etc.) represented a level of international collaboration that had never before been achieved and was of great benefit to both sides. In this field of national income studies, at least, conceptual differences seem to have been minimized, although there may still be some scholars in each country who regard concentration on the performance of aggregates to the relative neglect of distributional questions as regrettable.

A basic problem then as now was the lack of reliable data or estimates for the period before 1878 and in some fields even later. James Nakamura (1965) raised serious doubts about the official statistics for agricultural production in the Meiji period, suggesting that figures for the early part of the period were too low due to underreporting of cultivated area and yields. Thus, he claimed, they greatly exaggerate the rate of growth of agricultural output through most of the Meiji period. Initially dismissed as doubtful as to estimating procedure, especially for yields, and in any case as not vitally affecting the "spurt" thesis and the idea of concurrent growth of industry and agriculture, publication of Nakamura's work in full (Nakamura, 1966) made it clear that the "spurt" thesis was in question. What Nakamura was suggesting was that the Meiji Government's ability to hold down consumption and extract a sizeable surplus from agriculture was more important than the rate of increase of agricultural production during the Meiji period. Rosovsky (February 1968) accepted the evidence of underreporting of acreage but was unconvinced by Nakamura's revised estimates of yield and could not believe that, in a basically free-market economy such as he believed Japan's to have been, food consumption could have been held down to the extent Nakamura's estimates implied.

A good deal of evidence was, however, brought forward to show that rural production had been transformed between the early eighteenth century and the Restoration (Smith, 1966) and that the effect of pre-Restoration agricultural taxes was not as crushing as had once been thought (Smith, 1968). Explanations of rapidly rising agricultural productivity in terms of technological diffusion and improvement of techniques of cultivation in the

broad sense during the Meiji period were also queried in the absence of clearly identifiable technical advances at the time, although the separation of rural industry from agriculture may have raised productivity in both (Crawcour, 1969). Choi's later demonstration (August 1971) of technological diffusion before the Restoration if anything reduced such possibilities in the Meiji period. The debate was somewhat inconclusive, but there now seems to be some agreement that both rising output and redeployment of existing resources were important in the period. The weighting of the two depends on how one evaluates not only the production data but also the pervasiveness and effectiveness of control mechanisms for holding down consumption.

Not unrelated to this was Gleason's examination of the question of whether real personal consumption levels per capita kept pace with growth of per capita GNP during modern economic growth. He found that up to the end of the Taisho period they did so, but that they fell increasingly behind from 1925 to 1945 (Gleason, 1965). He too was closely associated with the Hitotsubashi project. According to his estimates, per capita GNP reached a prewar peak in the years around 1939, but real per capita personal consumption peaked in the years around 1926 and then declined quite steadily until 1948, regaining the 1926 level only thirty years later in 1956. Pointing to the prewar structure of income distribution, Gleason implied that the burden on large sections of the population must have been heavy. It would be interesting to know whether Japan's quarter-century record of falling real per capita consumption associated with rising per capita GNP is matched in the record of the development of any other free-market economy. It is, of course, possible that Gleason's estimates were at fault, but so far as I know this interesting topic has not been reexamined by scholars outside Japan.

Another topic discussed at this meeting was the nature of entrepreneurship in Meiji Japan. The role of the community-centred entrepreneur in Japan's development had been noted as early as 1955 (Ranis, December 1955). Hirschmeier (1965; 1964) described the catalyst role of Shibusawa Eiichi and the differences between the intellectual and moral basis of modern Japanese entrepreneurship and that of the West. Following Tsuchiya Takao and others, he had expected that entrepreneurs of samurai origin would have been most numerous, but found that they were a smaller proportion than expected. He found that the Japanese entrepreneurial spirit differed from that of the older industrialized societies and was very effective in Japan's modernization. He did not, however, go in detail into the reasons why this should have been so.

The formation and nature of the modern Japanese business ethic was discussed in an extremely stimulating work by Byron Marshall (1967). According to Marshall, the ethical foundation of classical free-enterprise utilitarianism—that is to say the belief that the operation of choices based on individual utility or profit maximization produces the optimum allocation of resources—was regarded as unacceptably selfish in Japan and some other socially more acceptable justification for business activity had to be developed in terms of service to the community and to the state. This striking difference in the rationale of Japanese capitalism went along with a special relationship between the modern business sector and the state, in which business was ideologically as well as to some extent financially dependent on the goodwill of the political establishment. Questions of the direction of causality aside, it is significant that this business ideology coincided with the thinking of Yamagata and other Meiji oligarchs and that in its efforts to decrease its dependence after the Meiji

period the business establishment never challenged the ideological framework on which it was based. Marshall's work received a mixed reception and was not appreciated by those who rejected the idea of Meiji absolutism and viewed the modern development of Japan as a shining example of free-enterprise capitalism with an underlying tendency towards democracy. It may well be that the seeds of free enterprise were to be found not in the modern *zaikai* but in the commercial rationality of the traditional small businessman whose efforts Lockwood had applauded. By the end of the Meiji period, however, it was the modern sector and its business ethic that dominated and powered modern economic growth, and not the traditional free-market sector.

Fiscal and monetary policies linked with trade and payments problems continued to be of interest. At the 1963 conference this field was represented by Patrick (1965) whose contributions to this field have been outstanding (Patrick, 1962; June 1965; 1968). He discussed postwar cyclical instability in the framework of the Hicks model of an explosive boom halted by resource limitations and assessed the effectiveness of fiscal and monetary policies in dampening cycles. While fiscal policy played a mixed role in supplementing tight-money policies at the height of the boom it was reasonably effective in the depression phase. Monetary policy was highly effective in ending the boom and relieving the balance of payments restraint although it tended to be applied too late. Several important works on trade and payments (Hollerman, October 1960; Hollerman, 1967; Allen, 1967; Michaely, 1968) appeared during the decade.

It was during the 1960s also that econometric models of the Japanese economy attracted the interest of econometricians in the United States and were related to the more general development of economic growth models. Unfortunately I do not have the technical competence to review their work in detail. Nelson's application of growth models to explain Japan's escape from the low-level equilibrium trap (Nelson, 1960) was one of the early essays in this field, closely followed by Klein's model of Japanese economic growth (Klein, 1961) which he later elaborated (Klein and Shinkai, January 1963). This latter model was tested by Blumenthal (May 1965). Bronfenbrenner reviewed the famous Shimomura model with his usual skill and insight (Bronfenbrenner, 1965; October 1965) as did Patrick (Fall 1963).

By contrast, sociological factors in Japan's modern economic growth attracted attention and indeed have been of continuing interest. The rise to prominence of these studies seems to have stemmed from three sources. The first was the development and quite dramatic rise to prominence of the discipline of sociology in the United States. The second was the apparent failure of economic analysis to explain fully why Japan succeeded in modern economic growth while other Asian countries, especially China, failed. I say "apparent failure" because there is reason to suspect that the shortcomings were not so much in economic analysis itself as in the underlying assumptions made about the nature of the Japanese economic system. The third was the sustained emphasis of the Japanese themselves on the uniqueness of their society. Religious attitudes and ethical values analogous to Weber's Protestant ethic (Bellah, 1957) were identified and raised to the status of "preconditions" of Japanese modernization, on the hypothesis that the ethical foundations of Japanese capitalism were similar to those in Europe. The similarities were indeed quite striking and contributed to our understanding of both Europe and Japan, but the context seems to have been rather different, particularly as regards the way in which the relationship between

economic and political factors developed. Similar points were made by Obelsky (1963) in his examination of ethical-religious factors in premodern Japan that promoted necessary conditions of diligence, acquisitiveness, cooperation and innovation. De Vos, a social psychologist, strongly queried the validity of what he regarded as ethnocentric classical economics for the study of cross-cultural comparisons and suggested that Japan's success could be explained by the culture, values and psychology of the Tokugawa period (De Vos, December, 1965). There is little reason to believe, however, that *given the choice* Japanese would not make the kind of choices that are assumed by the axioms of classical economics. There are, of course, restrictions on those choices in every society and, rather than abandon the application of general economic principles, it would seem more fruitful to examine the kinds of institutional and other restrictions in the society and the ways in which they affect economic behaviour. I hope that this distinction does not seem like splitting hairs. In the case of Japan, study of these restrictions may have been inhibited to some extent by the common assumption that Japan has been a relatively free society with a basically free-market economy throughout her modern development. If this assumption is relaxed, the need to postulate a unique Japanese psychology is reduced. The fact that the Japanese establishment itself has traditionally stressed the special nature of Japanese ways of thinking rather than the political and social restrictions on individual behaviour is understandable in political terms. This is not to say that social psychology cannot contribute to our understanding of economic behaviour, but, simply as an heuristic procedure—and certainly without implying economic determinism—such factors might better be regarded as symptoms or results of political conditions rather than as causes.

Studies of the premodern economy had appeared in the 1950s (e. g., Brown, 1951; Sheldon, 1958) and stimulated partly by interest in the "preconditions" of Japan's modern economic growth, the field continued to develop. The work of T. C. Smith on agriculture and taxation has already been mentioned. Other studies covered trade and finance (Crawcour 1961; August 1963), public finance (Beasley, May 1960), shipping and sea trade (Flershem, May 1964), village studies (Chambliss, 1965) and education (Dore, 1965).

IV. 1970–1977: Assessing Japan's Economic Growth and its Consequences

A large quantity of work of high quality has appeared in the last few years. It covers a great variety of fields including almost every aspect of the current economy, its development, its international linkages, its institutions and economic policies. From being seen as an attractive, if only partly relevant model for developing countries, Japan has recently come to be examined as a possible source of lessons for the advanced nations in a post-industrial world. Premodern Japan continues to be studied both as the starting point for growth and for its intrinsic interest rather than as a case study in some general theory of modernization. The process of modernization itself is now recognized as permitting of much greater diversity than would have been admitted a decade ago and the convergence hypothesis has now become greatly modified. Predictions about future growth rates have changed from continued double figure rates into the next millenium to a reduction to around six per cent per annum—the latter now accompanied by something like a sigh of relief. Fortunately most of the recent work is represented in four or five volumes that include the results of projects or conferences.

The first projection of the future of the Japanese economy (Kahn, 1970) presented a nightmarish prospect of Japan dominating the world economy by the year 2000. It was immediately rejected on the grounds that it was no more than a simple projection of current trends. It was, however, a little more sophisticated than that. Kahn considered most of the possible restrictions on future growth, but predicted that the unique Japanese spirit—which he characterized in all the usual clichés—would overcome them all. He believed that this triumph of Japanese effort would be accompanied, as an integral part of the process, by a reassertion of nationalism and emergence as a military power. With uncanny timing the oil shock struck soon after these predictions were published, and the rate of growth fell dramatically. This fortuitous circumstance did not, however, prove Kahn's long-range predictions wrong; if anything, the speed with which the Japanese overcame the burden of the increased import bill for oil lent some weight to his opinions.

Ohkawa and Rosovsky (1973) were among the many who rejected Kahn's projections. They noted the acceleration of growth trends through the postwar cycles, but having advanced an explanation of them in terms of a growing technological and productivity gap between sectors within Japan, continued potential for labor transfer and a consequent rise in profit, saving and investment rates, they also noted that these conditions would not last for ever, although they wisely refrained from specifying the timing of the transition to slower growth.

This question of the sources of economic growth and the degree to which they were either transient or sustainable was taken up along with many of the most important topics of the Japanese economy in the ambitious Brookings Institution project which resulted in the volume *Asia's New Giant* (Patrick and Rosovsky, 1976). This project provided a number of leading American economists, who did not necessarily have any special knowledge of Japan, with Japanese collaborators who were thoroughly familiar with the Japanese background and in particular with the Japanese statistical materials. The result is a large volume which in its detail warns against simplistic stereotypes of Japan. Its overall tone is mildly optimistic. Denison and Chung attempted to disaggregate the sources of the growth rate of national income in the decade 1961–71 and to assess the degree to which they were sustainable. They found that of the 1960s average growth rate of 9.50 percent, the sustainable contribution of conventional inputs and technical and economic progress could be expected to yield a sustainable growth rate of only 3.24 percent, with the greatest reduction in growth of employment, investment in plant and equipment, technical progress and economies of scale. Much will depend, however, on economic policy, the climate of world trade and possibilities for structural change. Ackley and Ishii analysed the way in which fiscal and monetary policies kept the growth pattern close to the maximum potential path. This was, however, achieved only by imposing a rate of saving (=limitation on consumption growth) that might be less likely to gain public acceptance in the future. Wallich and Wallich observed the apparently highly-managed financial system and concluded that the allocation of credit that resulted was not inefficient and kept interest rates lower than they would have been in a free market. Pechman and Kaizuka examined the tax system and suggested that the aggregate lightness of taxation was growth-promoting whatever the effects of particular taxes may have been. Krause and Sekiguchi discussed the importance of overseas trade and the role of the trading companies. They suggested that, conscious of her disadvantages of isolation and poor raw material endowment, Japan has put great and successful effort into overcoming them.

Perhaps she may now appear to have overcompensated to some extent. In his interesting review of the whole volume, Bronfenbrenner (Winter 1977), made the provocative suggestion that those "exploited" by Japanese trade expansion were not foreign countries but Japanese workers and consumers. This may be true, but only to the extent that Japan almost obsessively overcompensated for the poverty of her natural resources.

In the same volume, Caves and Uekusa looked at industrial organization and found that the degree of concentration and its effects on allocative efficiency were not so different from the United States situation. It may well be, however, that in the period of rapid growth which they studied the strongly expansionary atmosphere masked some kinds of business behaviour and their effects. Their concentration on the observed effects may not, therefore, provide a good indication of the potential for market manipulation in a less favourable business climate.

Among a number of stereotypes about the Japanese economy attacked in this volume, that of "Japan Inc." (the classic statement is Kaplan, 1972), was disposed of by Tresize and Suzuki. Despite clashes of interest between groups, however, the idea of consensus or "vision" has been important - as can be seen both from the anguish over recent lack of it and from the disadvantages suffered by those, such as consumers and small business, who do not participate in consensus formation.

Two other major collections have appeared recently. *Japanese Industrialization and its Social Consequences* (Patrick, ed., 1976) was the outcome of a conference which brought together economists, anthropologists and sociologists in an attempt to assess the social impact of Japan's industrialization, but in fact few of the non-Japanese contributors dealt specifically with this theme. The final chapter by Bennett and Levine, however, does. While these authors recognize the vast improvements in material welfare since the Pacific War, they point to the social costs and deprivations that accompanied it and seem to feel on the one hand that these were higher than they need have been, but on the other hand that they may be an integral part of the whole socio-economic system. In this view they are closer to the ideas of E. H. Norman than to the technocratic optimism of most of the American literature since 1960. Another collection, *The Japanese Economy in International Perspective* (Frank, ed., 1975) contains work by both Japanese and Americans on the implications of Japan's involvement in the world economy.

The Japanese employment system, its nature and future have become major subjects of study. Three questions in particular are being debated. How far is the Japanese employment a manifestation of ingrained traditional Japanese traits and how far is it the result of labor market factors and political manipulation in the modern era (Taira, 1970; Evans, Spring 1970)? Do Japanese workers really believe in principles of group-centredness and self-sacrifice? Rohlen (1974) and to some extent Dore (1973) think they do. Cole (1971) and Marsh and Mannari (1976) are not so sure. Will Japan's employment system change with industrial maturity and if so, how? Marsh and Mannari and also Cole think that it will and that it will tend to become less uniquely Japanese. Dore thinks that the Japanese system may be a model which other post-industrial societies would do well to follow.

In economic history the major themes since 1970 have been quantitative studies of the premodern economy and the application of econometric techniques. The process of Japan's economic growth continues to be analysed and reanalysed (Ohkawa and Rosovsky, 1973)

and the role of agriculture has remained an important topic (Ohkawa, Johnston and Kaneda, eds., 1970).

A trend towards a revision of Tokugawa economic history was foreshadowed by Hanley and Yamamura in 1971 (February, 1971). They have since followed this up with a demonstration that samurai were not becoming absolutely poorer (Yamamura, 1974), and a new look at economic and demographic change in preindustrial Japan (Hanley and Yamamura, 1977) which aims to show that standards of living in Tokugawa Japan were considerably higher than once thought and that they were rising. Their work is a useful corrective to earlier Japanese characterization of the bad old feudal days, although some Japanese historians may not be fully convinced, especially since it is explicitly anti-Marxist and tends to indicate that Meiji income levels were high enough to make free-market development plausible, thus removing the need to postulate a high level of repression or exploitation. Nevertheless, many of their conclusions are supported by the more sober work of T. C. Smith (1959; 1977).

The econometric work of Kelley and Williamson (1974) applied an econometric model to the LTES data and found that it fitted very well. There was some circularity in this logic and the conclusion that Japanese modern economic growth was necessarily the result of the parameters and relationships incorporated in their model seems unwarranted. They went on to compute what the consequences would have been on several counterfactual assumptions. Some of the results were surprising. Opinion on this work has been divided, with many impressed by the authors' undoubted technical skill and some scornful of the whole cliometric procedure. As far as evaluating the validity of their results, the truth probably does *not* lie somewhere between the two.

Conclusion

It is regrettable that in such a brief review many other valuable works could not be introduced or discussed in a more informed way.

The most striking impression that emerges from this review is the great progress that has been made in the analysis and understanding of most aspects of the Japanese economy and its development. This has been due to several factors. Many outstanding foreign scholars have worked on Japan, attracted by the intrinsic interest of the subject and stimulated by the relatively generous funds made available to the field. The existence of equally outstanding scholars in Japan and their readiness to cooperate fully with their non-Japanese colleagues has been of enormous benefit. Scholars from many parts of Japan have participated, but the contribution of Hitotsubashi University has been outstanding. The availability of statistical materials on Japan of a quality hardly surpassed elsewhere has proved a well-nigh irresistible lure. Here again Hitotsubashi and the LTES project have played a great part.

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